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20 YEARS OF CHINA IN THE WORLD TRADE ORGANIZATION

REQUIREMENT FOR TESTING OF IMPORTED NON-SPECIAL COSMETICS ON ANIMALS CONDITIONALLY WAIVED

Since the 1980s, some animal protection organisations in western countries began to oppose the testing of cosmetics on animals. Since 2014, animal testing has no longer been mandatory for domestic 'non-special use' cosmetics in China. However, animal testing was still required for the registration and approval of imported cosmetics. The European Chamber's Cosmetics Working Group has worked for many years to have animal testing requirements rescinded and advocated for advanced alternative testing methods.

On 4th March 2021, the National Medical Products Administration officially released the *Provisions for Management of Cosmetic Registration and Notification Dossiers (Provisions)*, which came into effect on 1st May 2021. The Provisions conditionally waive the requirement for non-special cosmetics imported into China to be tested on animals, which has been in place since 1989. The new requirements in the Provisions reflect a breakthrough in equal treatment by the Chinese cosmetics authorities in terms of registration and notification requirements for domestically-produced and imported products.

Contents

ISSUE 65
NOVEMBER/DECEMBER 2021

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Chief Editor
Orlaith Delaney

Art Director
Zhang Ye

Advertising and Sponsorship Manager
Queenie Cheng
+86 (10) 6462 2066 Ext. 54
qcheng@europeanchamber.com.cn

National Member Relations Manager
Luyang Syvänen
+86 (10) 6462 2066 Ext. 37
lsyvanen@europeanchamber.com.cn

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BEIJING

Office C412,
Beijing Lufthansa Centre,
50 Liangmaqiao Road, Beijing, 100125, PR China
北京市朝阳区亮马桥路五十号
燕莎中心写字楼 C-412 室
Tel: +86 (10) 6462 2066
Fax: +86 (10) 6462 2067
euccc@europeanchamber.com.cn

TIANJIN

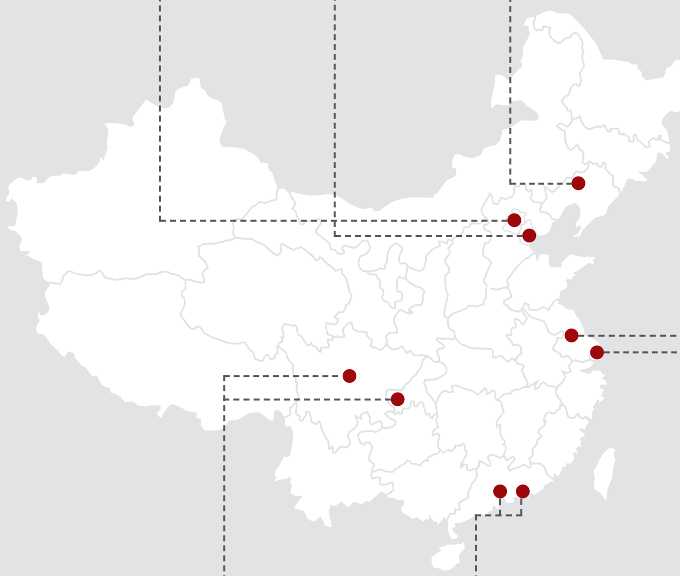
41F, The Executive Centre, Tianjin World Financial Centre, 2 Dagubei Lu, Heping District, Tianjin, 300020, PR China
天津市和平区大沽北路 2 号
天津环球金融中心 41 层德事商务中心
Tel: +86 (22) 5830 7608
tianjin@europeanchamber.com.cn

SHENYANG

Room 1208, World Financial Center 2, No. 43, Beizhan Road 1, Shenhe District, Shenyang
沈阳市沈河区北站一路 43 号
环球金融中心二期 1208 室
Tel: +86 (24) 3198 4229
Fax: +86 (24) 3198 4229
shenyang@europeanchamber.com.cn

NANJING

13A07, No.99 Zhongshan Road, Gulou District, Nanjing, 210008, PR China
南京市鼓楼区中山路 99 号 13A07 室
Tel: +86 (25) 8362 7330 / 8362 7331
Fax: +86 (25) 8362 7332
nanjing@europeanchamber.com.cn



SOUTHWEST CHINA CHENGDU

04-A, F16, Tower 1 Central Plaza, 8 Shuncheng Avenue, Jinjiang District, Chengdu, PR China
成都市锦江区顺城大街 8 号中环广场 1 座 16 楼 04-A
Tel: +86 (28) 8527 6517
Fax: +86 (28) 8529 3447
chengdu@europeanchamber.com.cn

SOUTH CHINA GUANGZHOU

Unit 2817, 28/F, Tower A, China Shine Plaza, 9 Linhe Xi Road, Tianhe District, Guangzhou, 510613, PR China
广州市天河区林和西路 9 号耀中广场 A 座 2817 室
Tel: +86 (20) 3801 0269
Fax: +86 (20) 3801 0275
southchina@europeanchamber.com.cn

SHANGHAI

Unit 2204, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, 200021, PR China
上海市淮海中路 333 号瑞安广场 2204 室
Tel: +86 (21) 6385 2023
Fax: +86 (21) 6385 2381
shanghai@europeanchamber.com.cn

SOUTHWEST CHINA CHONGQING

105, A2 Block, SinoSwiss Technopark, Jinzhou Avenue, Yubei District, Chongqing, 401147, PR China
中国重庆市渝北区金州大道平和路 5 号，中瑞产业园 A2 栋 105
Tel: +86 (23) 63085669
chongqing@europeanchamber.com.cn

SOUTH CHINA SHENZHEN

Rm 308, 3/F Chinese Overseas Scholars Venture Bld, South District, Shenzhen Hi-tech Industry Park, Shenzhen, 518057, PR China
深圳高新区南区留学生创业大厦 3 楼 308 室
Tel: +86 (755) 8632 9042
Fax: +86 (755) 8632 9785
southchina@europeanchamber.com.cn

President's Foreword

Evaluating China's 20 years in the WTO

Jörg Wuttke

President

European Union Chamber of Commerce in China

On 11th December 2001, China acceded to the World Trade Organization (WTO). This anniversary is not only significant to China, but also to the European Chamber, given that one of the main reasons for our formation was to monitor China's adherence to its WTO accession agreement.

As China's economy developed at remarkable speed over the intervening two decades, so did the importance of the Chinese market to European companies, as testified by the Chamber's growth from 51 to more than 1,700 members over the same period. Our members have demonstrated their commitment to the Chinese market during this time through their tireless work on the Chamber's annual *European Business in China Position Paper*, and by making thousands of constructive recommendations on how China can improve its business environment. Simply put, they do so because they need China to succeed.

However, while the first decade of the 21st century saw China embark on significant market liberalisation, on the 10th anniversary of China's WTO accession my predecessor, Davide Cucino, was already noting that that "momentum towards liberalisation has slowed and ownership restrictions as well as compulsory technology transfer remain in place in key industries, including in sectors where China has now emerged as a global market leader."[1] So what exactly has changed since then?

Although soon after China's WTO accession we saw improvement in the reduction of trade tariffs and optimisation of customs processes, some traditional complaints against China are still valid. For example, while China has slowly improved both intellectual property right (IPR) protection and related judicial processes, a significant 50 per cent of respondents to the Chamber's *Business Confidence Survey 2021* stated that enforcement of IPR laws remains inadequate.

Prior to China's WTO accession, one of the main concerns the body's other members had was China's favourable treatment of its state-owned enterprises (SOEs). Unfortunately, this remains the case today, with the provision of subsidies to these large, and often inefficient, companies leading to market distortions. Furthermore, while China agreed to join the WTO Government Procurement Agreement as soon as possible following accession, its admission offers have so far been rejected as inadequate, with negotiations continuing over the seventh proposal submitted in October 2019.

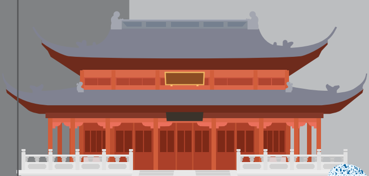
China has made great progress in recent years with reform of its standardisation system, yet Beijing still falls short of its reporting duties to the WTO's Technical Barriers to Trade Committee. This is especially the case in technical standards with regard to mandatory standards, technical regulations and conformity assessment procedures, including administrative licensing, which has an impact on market access. The European Chamber, in partnership with the Swedish Institute of International Affairs, has recently published a study on standardisation in China, which explores this topic in depth.

Despite these enduring challenges, it bears remembering that China's WTO accession took place despite considerable resistance within China at that time, so it would be foolish to dismiss the possibility of a similar paradigm shift. Perhaps what is most important is that the basic principles underpinning the WTO—including non-discrimination, freer trade, fair competition, predictability and transparency, impartiality, inclusion and partnership—should be fully adhered to and not used selectively by any of its member states. As members of the European Chamber, we must continue to advocate these values in our daily work.

I look forward to continuing to serve you in 2022. I wish you a pleasant holiday season, and prosperity and success in the new year.

1 *'Ten Years of WTO', EURObiz Nov/Dec 2011*, December 2011, viewed 4th November 2021, <https://staticeurobiz.europeanchamber.com.cn/wp–content/uploads/2013/04/EURObiz–Nov–Dec–2011–Issue–5.pdf>

China's Accession to the World Trade Organization



In the wake of World War II, 23 countries came together in 1948 to form the General Agreement on Trade and Tariffs (GATT) to facilitate international trade by eliminating subsidies and trade tariffs, and to boost economic recovery after the war. The GATT was also envisioned as a way to avoid the pre-war tendencies towards protectionism.

China was one of the original 47 signatories, but withdrew in 1950. The remaining members continued to refine and develop the GATT rules, until it became the World Trade Organization (WTO) in 1995. China had started negotiations to rejoin the GATT in 1986, which then became negotiations to join the WTO.

Agreements made with one member of the WTO will automatically also apply to all others, though individual members can apply for exemptions if a term is particularly harmful to their economy. When a country applies to join the WTO, it must negotiate terms on tariff levels and market access that are acceptable to all members. The terms accepted become its Protocol of Accession – the formal document by which it agrees to join the WTO and be bound by WTO multilateral agreements. The negotiations on China's accession lasted for 15 years.

The European Chamber was created in order to monitor China's implementation of its official Protocol of Accession, to both protect European business and assist European leaders in their interactions with their Chinese counterparts. In this article, we have outlined the main areas covered by China's Protocol of Accession, some of which still form part of the Chamber's advocacy work today.

Transparency

- Translate all laws, regulations or other measures, at all levels of government, relating to trade in goods or services into one or more of the official WTO languages (English, French and Spanish).
- Apply such laws, regulations or other measures in a uniform and neutral manner.
- Establish independent and impartial tribunals for the review of all administrative actions and decisions relating to such implementation.
- Carry out annual, 'transitional' reviews of compliance with WTO-related obligations for eight years following accession.

Market access in goods

- Cut tariffs on industrial goods to an average rate of 8.9 per cent.
- Sustain this average against future increases.

Market access in services

- Liberalise a number of service sectors that were previously closed or severely restricted to foreign investment. [China made commitments in all sectors covered by the GATTS, including financial, telecommunications, distribution and legal services.]

Subsidies

- Make subsidies to state-owned enterprises subject to countervailing duty actions.
- Eliminate export subsidies on industrial goods.

Agriculture

- Eliminate quotas on all but a few agricultural goods.
- Eliminate export subsidies on agricultural goods.

Nonmarket economy treatment in anti-dumping cases

- Agree to be treated as a 'nonmarket economy' for 15 years after accession for purposes of conducting anti-dumping investigations against Chinese companies.

Discriminatory safeguard rule

- Allow WTO members to apply a special safeguard rule, the 'transitional product-specific safeguard' (TPSS) that applies only to China and will remain in effect for 12 years after accession;
- Allow, under the TPSS, other WTO members to impose quotas and tariffs on Chinese goods upon a minimal showing of injury, with China's ability to retaliate restricted.

China in the World Trade Organization: 20 years on

Interview with **Adam Dunnett**, secretary general, European Union Chamber of Commerce in China[1]

[1] This interview is an abridgement of an article in *The Japan–China Economic Journal* <https://www.jc–web.or.jp/publics/index/781/0/>

Q: When you first came to China in the late 1990s, did you foresee its rapid economic growth?

ADAM: China's gross domestic product (GDP) had already been growing in double-digits in the 1990s. This was considered more of a peculiarity at the time, with few people confident about the long-term trajectory of China. There were many uncertainties: massive state-owned enterprise (SOE) debt, high unemployment, concerns about social stability, and internal debates about China's further opening up and accession to the World Trade Organization (WTO).

I remember *The Economist* had a cover around this time with an image of a magician pulling GDP numbers for China out of a hat, giving the impression that perhaps China's growth was more magic than reality.

I can't say I was certain about China's future, but I didn't understand why so many observers were so sceptical. Even many Chinese officials and scholars doubted China's ability. I often heard the phrase "我们要向你们学习" [we must learn from you] and many self-deprecating comments about how China was still "落后" [backward].

However, it was an exciting period. The country was buzzing. There was always something new about to happen. A new shopping centre, a new airport, a new metro line, a new highway, a new investment.

I remember once standing on the 50th floor of the Capital Mansion building in Beijing and counting 50 construction cranes within sight. I remember thinking that the GDP numbers aren't being over-reported, but under-reported.

So, I guess you could say I was actually quite optimistic.

Q: Can you sum up the country's progress in one sentence?

A: It's been a constant, gradual transition of improved urban, material and individual well-being.

Q: What would you say has been the key to China's rapid growth?

A: The latent potential and demand were already there, it was more a matter of tapping into it. I would say there are five main elements, each uniquely significant in their own right, that paved the way for China's rapid growth. First was the liberation of trade in the 1970s. WTO accession in 2001 both locked in and accelerated this process further by bringing down average import tariffs to 9.8 per cent and technically opening the services sector. Second was privatisation, starting initially in the 1980s with the contract responsibility system; it unleashed massive entrepreneurial market forces, moving China away from its originally planned economy approach to development. The third was increased foreign investment, which brought much-needed capital and technology. Fourth was government-led infrastructure development. Finally, China's social and economic stability helped it weather the 1997 Asian financial crisis, the 2008 financial crisis and the COVID-19 pandemic, and come back strongly. Markets are not perfect and the Chinese Government has played a critical role as well.

Q: What's your overall evaluation of China fulfilling its WTO obligations?

A: When China completed its transition period in 2006, we wrote: "China has successfully implemented the majority of WTO commitments on, or ahead of, schedule. However, European companies find that transparency and intellectual property rights (IPR) remain concerns of doing business in China".

These were issues in 2006, and they are still very relevant today.

The WTO stands for freer trade, but this doesn't mean the law of the jungle. It means trade that's free from obstacles, including IPR theft, discrimination, government intervention, and a lack of transparency and predictability.

Back then we said that China often followed the letter of the law, but not always the spirit. As one Chinese reporter once commented to me, your definition of 'transparency', "predictability' and 'openness' is just perhaps different than ours.

The power shortages across China in 2021 is a classic example of foreign businesses' expectations still differing strongly with what China is prepared to offer.

Q: How do you expect the role of international trade in China's economy to change in the next two decades?

A: China was one of the biggest drivers and beneficiaries of international trade in the last two decades. In 2000, China only accounted for four per cent of global trade. Today, it accounts for 15 per cent. However, things are changing.

Global trade growth has slowed dramatically in the last ten years. Prior to the 2008 global financial crisis, growth of international trade typically surpassed that of GDP. However, in nine of the last ten years, international trade has grown more slowly than world GDP.

Trade also represents a much smaller share of China's economic output today. It's relatively less important to the

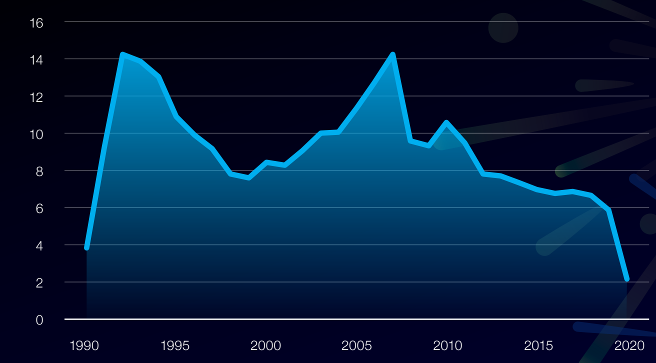
Chinese economy and China seems just fine with that. China's trade-to-GDP ratio peaked in 2006 at 64 per cent, falling to 34.5 per cent in 2020 as China moved towards increased self-reliance.

The focus on self-reliance in China's 14th Five-year Plan is actually not new, but a continuation of past policies to acquire, digest and develop indigenous technologies. The United States-China trade war initiated under Trump has only served to convince the Chinese that this strategy is correct. This has always presented both an opportunity and a challenge for European companies. China's focus on "secure and controllable" technologies means that international enterprises are forced to further localise their technologies in order to maintain access to markets and customers.

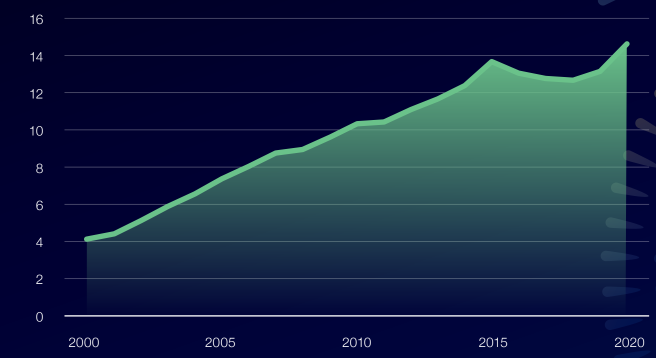
In January 2021, the European Chamber released *Decoupling: Severed Ties and Patchwork Globalisation,* which highlighted 'trade decoupling' as one of seven risks to the global economy. However, the European Chamber's *Business Confidence Survey 2021* showed that while trade decoupling was likely, companies would not decouple from an investment perspective. In fact, in the current situation, the survey results show that companies are five times more likely to onshore into China than to offshore.

Looking ahead, international trade will remain vitally important to supply chains, but it is unlikely to ever regain its former dominant position in China's overall economy. Instead, the bigger opportunity for future economic relations is still expected to come from bilateral investment. This is why the European Union prioritised its negotiations with China on the Comprehensive Agreement on Investment over the last seven years, and why the European Chamber still hopes that this deal may one day be ratified.

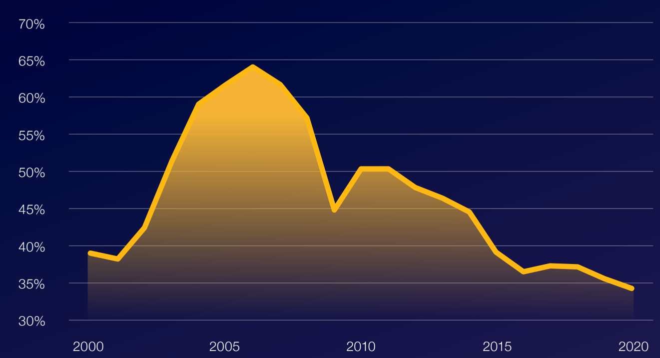
CHINA GDP GROWTH RATE



CHINA'S SHARE OF GLOBAL EXPORTS OF GOODS



CHINA'S FALLING TRADE-TO-GDP RATIO 2000-2020



BLURRED VISION

How China and the WTO agreed to disagree over trade rules

by **Gabor Holch**

Always ready with delightful policy jingles, Beijing has repeatedly described China's two decades of World Trade Organization (WTO) membership as "embracing the world with open arms".[1] This giant group hug got off to a shaky start and led to some chafing, but it has also stood the test of time. Neither side denies the divergence between Chinese and global economic visions for the near future, but all involved hope for improvement. This article by **Gabor Holch** of **Campanile Management Consulting** calls for due credit to Beijing's participation in the WTO over two decades that dramatically changed China, the world, trade and relevant organisations.

Why China wanted in

At the turn of the millennium, China needed urgent investment to support a rapidly growing economy. Two decades of reform and opening up had proven marketisation to be an effective antidote to a nosediving state-planned economy, but reform cost money, and Beijing had to keep the momentum going. China's struggling firms and vigorous workforce had reconnected with global markets, but the ties were weak. Its 'most favoured nation' status with the United States (US) required annual Congressional approval; rejection could have resulted in sky-high tariffs and snowballing reactions from Japan, the European Union (EU) and the Association of Southeast Asian Nations.

Therefore, Beijing's jubilant reaction to WTO accession illustrated that it expected participation to "expedite the process of China's reform and opening, the cleaning up of laws and regulations, an impartial, efficient judicial system, and competition to the country's inefficient state-owned enterprises (SOEs)."[2] In other words, the WTO would not only bring much-needed foreign investment but also prepare China for receiving it.

Why the WTO wanted China

Beyond the hope that the above would materialise, China's accession promised to solve complex political problems. The WTO's predecessor, the 1947 General Agreement on Tariffs and Trade (GATT), had lasted half a century before its 1994 Marrakesh Summit founded the WTO. Over half of the world's nations had joined the GATT, but China kept slipping away as its post-war national identity was formed. The Nationalist (国民党*Guomindang*) Government was an early GATT signatory but lost authority over most of China's one billion consumers. The 1971 transfer of Taipei's United Nations seat to Beijing had stranded the GATT between a member hostile to markets and a cooperative non-member. Since statehood is not a precondition of

[1] *Full text: China and the World Trade Organization,* State Council, 18th June 2018, viewed 2nd November 2021, <http://english.www.gov.cn/archive/white_paper/2018/06/28/content_281476201898696.htm>

[2] *How the WTO Changed China's Economy, Foreign Affairs,* 16th February 2021, viewed 2nd November 2021, <https://www.foreignaffairs.com/articles/china/2021–02–16/how–wto–changed–china>

WTO membership, including both promised to ease cross-strait conflict, at least on the level of foreign trade. Beijing's own vision for accession and Washington's vocal hope that the WTO would 'help China play by the rules' boosted such hopes well into the first decade of the new partnership.

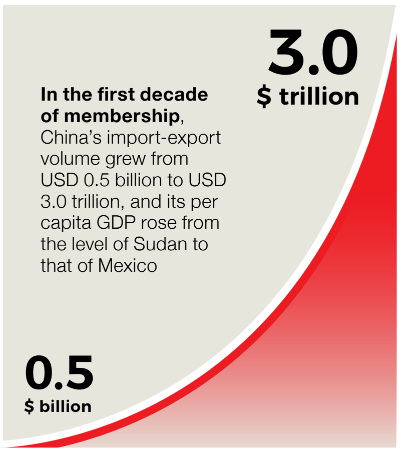
What China joined

The conditions and balance sheet of China's membership evoke endless debates as well as pervasive urban legends. We may never know for sure if the 1999 bombing of the Chinese Embassy in Belgrade triggered some guilt-induced leniency in Western leaders towards China, or whether the following year Premier Zhu Rongji personally intervened to stop a visiting US delegation from defiantly boarding their flight, thus saving last-minute accession talks.

Regardless, credible experts agree that, as former WTO Director-General Pascal Lamy said, "China did not join the WTO on the cheap".[3] In fact, conditions for China were set higher than for any previous developing nations. In its Accession Protocol, Beijing committed to "letting markets rather than the state set prices, equalise trading rights for state and private firms, improving the transparency of economic policy, non-intervention in the operation of the market, non-discrimination between domestic and foreign firms, and strengthening the rule of law in governing the economy," summarises Yeling Tan, author of *Disaggregating China Inc.*[4] Furthermore, unlike most members, China was required to elevate WTO rules to the status of national legislation.

What happened in the past 20 years?

All assumed that China would catch up fast with the preconceived vision, China's chief negotiator Long Yongtu told the WTO in 2011.[5] Indeed, the rise of the Chinese economy was spectacular. In the first decade of membership, China's import-export volume grew from US dollars (USD) 0.5 billion to USD 3.0 trillion, and its per capita gross domestic product (GDP) rose from the level of Sudan to that of Mexico. China also learned the rules fast, becoming the third most active member after the US and the EU.[6]



But, along the way, Beijing decided to rewrite rather than follow the curriculum. Digressing from the agreed plan during the 2007-8 financial crisis resulted not only in selective compliance with WTO decisions but also a rhetoric of China providing an alternative economic model. The global authority of the US was undermined as Washington wrestled with the economic crisis on both the domestic and international fronts, and China promptly filled the rhetorical vacuum. A decade later, as then-US President Donald Trump openly pondered withdrawing from the organisation, Chinese President Xi Jinping delivered a scornful speech on the sorry state of global free trade at the 2017 Davos World Economic Forum.

What is happening now?

Ideologically loaded debates abound on whether China is the WTO's disruptive genius or a student with an attention-deficit disorder. Mainstream Western economists agree that China's economic reform stalled towards the end of the Hu Jintao administration; its tariffs and other, non-trade barriers still far exceed world standards. The reasons for the contradiction between what we hear and see from China are diverse, best illustrated by the two most frequent complaints: the dominance of state-owned enterprises (SOEs) in the Chinese economy, especially as competitors to foreign firms; and forced technology transfers to Chinese firms. As mentioned previously, China committed to non-intervention and non-discrimination from state to market, but its accession documents did not specifically mention the role of SOEs. In Beijing's eyes, owning an energy firm or an airline is not intervention. As for technology transfers, China insists that foreign firms engage in such practices of their own volition: WTO rules regulate members, not companies.

Experts grudgingly agree. "China didn't cheat: WTO rules have been weak," reckons Pascal Lamy. In a way, the main source of trouble is China's success. Accession criteria were best suited to liberalising medium-sized candidates like Croatia and Hungary, and the WTO underestimated the agility of China's titanic state-controlled economy. For instance,

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[3] *China and the WTO: (How) can they live together?,* Bruegel, 28th April 2021, viewed 2nd November 2021, <https://www.youtube.com/watch?v=cy3v_aUaKPc&t=2968s>

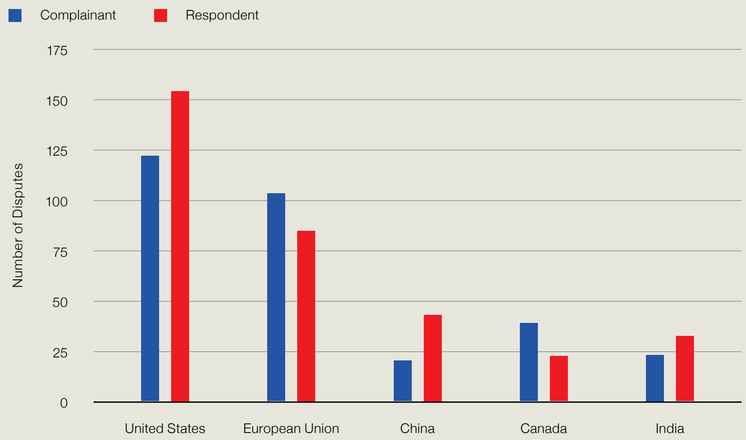
[4] *'Disaggregating China Inc., with Yeling Tan',* Harvard Fairbanks Center for Chinese Studies podcast, 16th October 2021, viewed 2nd November, <https://podcasts.apple.com/hk/podcast/harvard–fairbank–center–for–chinese–studies/id1255938359?l=en&i=1000538712289>

[5] *Interview with the Chief Negotiator of China's WTO accession,* WTO YouTube Channel, 2012, viewed 2nd November 2021, <https://www.youtube.com/watch?v=eFn1ytKmNfc&list=WL&index=26>

[6] *How Influential is China in the World Trade Organization?, Center for Strategic and International Studies, viewed* 3rd November, <https://chinapower.csis.org/china–world–trade–organization–wto/>

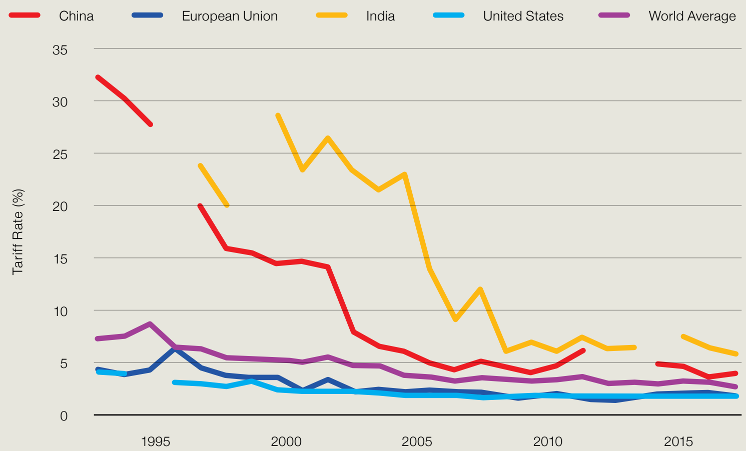
MOST ACTIVE WTO MEMBERS[7]

Total dispute involvement through 2019



TARIFF RATES[8]

Applied weighted mean tariffs for all products



legislation specific to China's Special Economic Zones (SEZs) that host most foreign firms is not accountable to WTO rules. Essentially, as former European Chamber President Mats Harborn pointed out to *CGTN* in 2018, SEZs and the rest of China are two parallel economies.[9] This separation enables China to exclude foreign firms from public procurement and entire sectors through its infamous 'negative list' and other measures, while it still enjoys WTO membership access to other market economies without similar protective mazes. Chief negotiator Long eloquently summarised China's attitude to transparency in 2011: "We didn't believe in it. An old Chinese proverb says, there is no fish in clear waters."[10]

What are the prospects?

Both sides appreciate the complex and dynamic nature of China-WTO relations. Trump and his followers were outliers: those with authority over the matter are committed to engagement and joint reform, though mindful of what Lamy called "ten years of convergence followed by ten years of divergence". WTO members increasingly demand further liberalisation in return for continued openness towards Chinese firms. As former President Harborn told *CGTN*: "SEZs were an experiment in opening up—now it's time to open up." But opposing forces between reform and consolidation may limit China's options. Powerful interests in existing SEZs hinder the creation of competing entities and, rather than empowering private firms, President Xi Jinping has entrenched SOEs. Specific issues like technology transfer demands and cross-strait relations show insufficient progress. While the WTO patches regulatory gaps, China's state and favoured non-state actors leverage government resources for prominence abroad and dominance at home, while national and WTO principles undermine US and EU threats to adopt China's protectionist tactics in retaliation. Market volatilities might upset this fragile balance; if they don't, China has indeed created an alternative global trade regime – although not the one it intended.

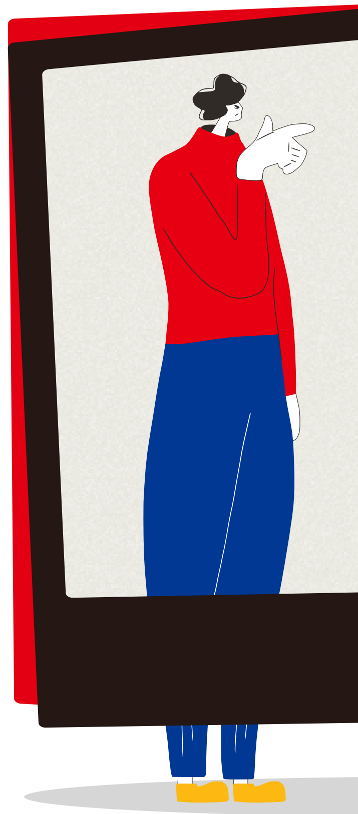
Gabor Holch is an intercultural leadership consultant, coach and speaker working with executives at Asian and European branches of major multinationals. His Shanghai-based team, **Campanile Management Consulting**, has served 100+ clients in 30+ countries since 2005. An expat since age four, China-based for 19 years and working globally, Gabor is a Certified Management Consultant (CMC) in English and Mandarin, certified consultant at the management academies of half a dozen global corporations and licensed in major assessment tools including DISC, the Predictive Index and MBTI.

[7] Ibid.

[8] Ibid.

[9] *China's adaption to the world economy through WTO, CGTN*, 2018, viewed 3rd November 2021, <https://www.youtube.com/watch?v=TVOsnKnA6JM&list=WL&index=28>

[10] *Interview with the Chief Negotiator of China's WTO accession*, WTO YouTube Channel, 2012, viewed 2nd November 2021, <https://www.youtube.com/watch?v=eFn1ytKmNfc&list=WL&index=26>



Managing Business in Times of Rising Geopolitical Risks

by **Julia Coym**

As China marks its 20th year of World Trade Organization (WTO) membership, Beijing is rightly celebrating the immense economic transformations that have taken place over the past two decades. The operating environment for European businesses during that time has significantly improved, with more predictable, transparent regulations, increasingly professional enforcement, and more effective legal processes. But the United States' (US') and European Union's (EU's) criticism of Chinese trade and economic policies at China's WTO hearings in October also demonstrated how the three parties diverge in perceptions of China's current economic and trade policies, and the political tensions that are resulting. As outlined by **Julia Coym** of **Control Risks** in this article, the geopolitical environment is becoming more complex, and businesses need to recalibrate their business strategy accordingly if they want to succeed globally.

New geopolitical fault lines

For many companies, sharpened US-China tensions have significantly raised awareness of geopolitical business risks. Similar to their US and Chinese counterparts, EU firms that do business in both markets have had to respond to tariffs, sanctions, export controls and less formal trade restrictions.

Geopolitical competition will increase—not just between China and the US, but also with the EU—and will force European companies to consider political risks across new business areas. With EU leaders regularly referring to China as a "systemic rival", companies should expect an expansion of regulatory measures that raise political risks for their business. These will range from further trade defence measures, supply chain rules and restrictions on Chinese investment, to expanded cooperation with the US on technology trade restrictions on China under the Trade and Technology Council.

This trend can already be seen in technology and data-intensive industries, which are becoming more politicised. As data and technology become essential resources for economic and political competitiveness, both are becoming subject to more government scrutiny, more restrictions and reviews, and greater politicisation. As traditional manufacturing industries embrace digitalisation—including automation, Internet of Things (IoT) and developing data-driven revenue models—more businesses will face the same political risks regarding data and technology, especially in supply chain management and cross-border data transfers.

Not business as usual

Geopolitical tensions are becoming a larger source of disruptions. Areas businesses will most need to focus on include:

- **Rising compliance burdens and ambiguity:** These include the challenge of complying with US, EU or China tariffs, export or import controls and other sanctions, as well as new supply chain regulations, data localisation rules or changing market access requirements. In extreme cases, these can put businesses between a rock and a hard place, with mutually exclusive legal obligations – the Law on Countering Foreign Sanctions passed in China in June can penalise companies for complying with foreign sanctions against Chinese entities.

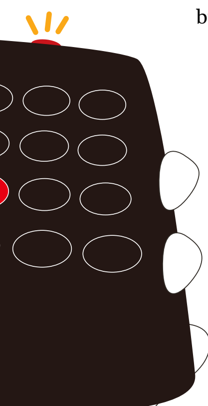
Although the law has not yet been applied to any foreign firms in China, it highlights the challenges that legal ambiguities will place on businesses seeking to remain compliant in the changing regulatory landscape. In this context, it is essential that businesses understand the drivers and enforcement trends of regulations.

- **Costs and business continuity:** Increases in operating costs resulting from tariffs and supply chain disruptions due to COVID-19 and geopolitical factors have been widely reported. Amid geopolitical tensions, businesses face uncertain export and import conditions, which has been most visible in China-Australia trade over the past year.

  From recent concerns over shortages in Chinese magnesium exports to the EU, to greater scrutiny of the national security implications of sourcing technology, businesses will face greater political and operational pressure to build resilience into their supply chains. Balancing cost, efficiency, availability and geopolitical risks will require more of senior leadership teams' time during business planning.

- **Competitiveness:** Geopolitical pressures and perceived supply chain risks have bolstered efforts in China, the EU, the US and elsewhere to localise or onshore products and technologies viewed as strategic or essential to national security. Businesses will need to understand their level of exposure to 'buy local' trends and adapt their supply chains, as well as cost and brand management, to succeed across different markets.

  Businesses will also need to more closely manage their brand and reputation to remain competitive. They must be better prepared for crises at a time when companies are more likely to face zero-sum decisions when responding to politically sensitive issues in China or in their home markets.



Redefine your strategy

Recent years have seen accelerating geopolitical changes impact the operating environment for European companies. Rising geopolitical competition and the politicisation of technology will further increase the related risks facing businesses.

Trying to address these challenges with a triage approach is insufficient. To succeed in these times, businesses need to adapt their strategies and take new geopolitical fault lines into account.

The good news is that businesses can find new opportunities driven by geopolitical changes if they recognise the changing landscape and what it means for their existing business.

Elements they should consider include:

- **Developing scenarios:** What are the most likely or alternative scenarios? What do these mean for your business sector and jurisdictions? Will your current business strategy be effective when you look at how these scenarios play out over the next two, five or ten years?

- **Risk and opportunity mapping:** What are the major risks facing your business during the scenario period? What are the major opportunities? Are you thinking about the scenario impacts broadly enough to incorporate not just suppliers and customers, but also your personnel management, brand or technology strategies?

- **Strategic adjustments:** Based on this analysis, where should you consider making strategic adjustments? Which areas would benefit from new investments to shore up your resilience to disruptions? Which business areas would be less viable under more adverse scenarios? Which new opportunities should you prepare for now?

- **Triggers:** Not all adjustments should be activated immediately but will be contingent upon specific developments. Use triggers or signposts to activate specific changes to avoid having to make unnecessary ones amid uncertain conditions. Identify the regulatory, industry or cost tipping points that optimise your strategy adjustments.

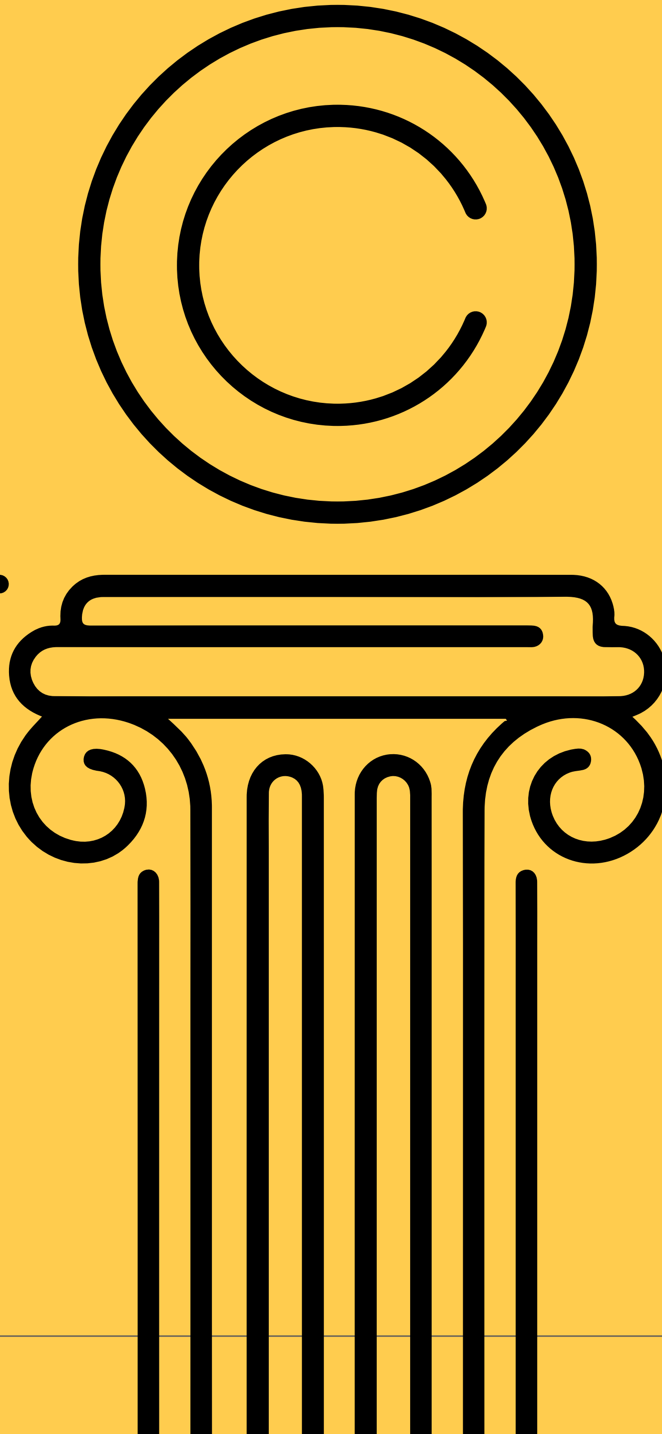
Julia Coym advises companies on corporate strategy and risk management as a director at **Control Risks**, a specialised risk consultancy committed to helping clients build organisations that are secure, compliant and resilient in an age of ever-changing risk and connectivity. Clients include national and multinational businesses in all sectors, law firms, government departments from many parts of the world, NGOs and SNBs, both national and international.

Building a Framework

The evolution of China's intellectual property protection system

by **Matias Zubimendi**

With China aiming to become an innovation powerhouse, it is easy to forget that its modern intellectual property rights (IPR) system is a rather recent development, with the People's Republic of China (PRC) having adopted intellectual property (IP) protection policies relatively late compared to the rest of the world. **Matias Zubimendi** of the **China IPR SME Helpdesk** takes a look back at how attitudes in China towards IP changed as its economic power rose



20th century: the origin of the legal framework

During the 1950s/60s, China's collectivist approach to private property had a direct influence on the conceptualisation of IP. For example, regarding copyright, creations did not belong to the author but rather to a 'collective endeavour', making it impossible for authors to gain revenue from their works. It was not until the late 1970s that China started to establish a proper IPR system. The first step towards this was the signing of the Agreement on Trade Relations between the United States and the PRC in 1979. According to the agreement, "both contracting parties agree that each party shall seek, under its laws and with due regard to international practice, to ensure to legal or natural persons of the other party protection of patents and trade marks equivalent to the patent and trade mark protection correspondingly accorded by the other party".

While back then the Chinese legal framework was not yet ready to comply with the provisions of the agreement, the new legislation ushered in a move towards China's modern IP framework with the publication of the Trademark Law (1982), the Patent Law (1984), the Copyright Law (1990) and the Anti-unfair Competition Law (1993). Regarding IP-related international agreements, China joined the Paris Convention (1984), the Madrid Agreement (1989), the Berne Convention (1992) and the Patent Cooperation Treaty (1993). In 1985, China also joined the World Intellectual Property Organization (WIPO).

Issues with IP enforcement

Up until the late 2000s, China was an avid absorber of foreign technology – its domestic enterprises learning from multinational companies (MNCs) that invested in the country, with the aim of building up their internal capacity to eventually directly compete with the foreign firms. This was mostly carried out at the expense of the proper enforcement of commercial laws, including IP laws. At the same time, China started to realise the importance of IP protection and proper enforcement if the country was going to transform from the 'world's factory of cheap products' into an innovation powerhouse. Major IP reforms kicked off with China's accession to the World Trade Organization (WTO) in 2001. As part of its accession package, China made commitments regarding the protection and enforcement of IPRs that would bring its IP system in line with international standards.

In the early 2000s, the enforcement of IP laws and regulations in China was far from ideal, which had an impact on daily business life. For example, it was a rather common practice for Chinese companies to target senior employees of MNCs in attempts to acquire trade secrets and other valuable business-related information from them. In addition, while the central government endeavoured to improve IP enforcement, provincial and local protectionism often worked against those efforts. For instance, a 2015 study highlighted that Chinese companies litigating in their hometown were more likely to win against foreign companies. However, once these decisions were appealed in higher courts (provincial-level) the Chinese firms' chances of winning were reduced considerably.

Rapid economic development in the 2000s brought along a significant increase in IP registrations – and complex IP disputes China's regular courts were ill-equipped to handle. Therefore, in 2014, the Supreme Court issued the Fourth Five-year Reform Plan of the People's Courts (2014–2018), proposing to expedite the establishment of specialised IP courts in regions with numerous IP disputes. On 31st August 2014, the Standing Committee of the National

CHINA LEGISLATION

Trademark Law (1982)

Patent Law (1984)

Copyright Law (1990)

Anti-unfair Competition Law (1993)

CHINA JOINED

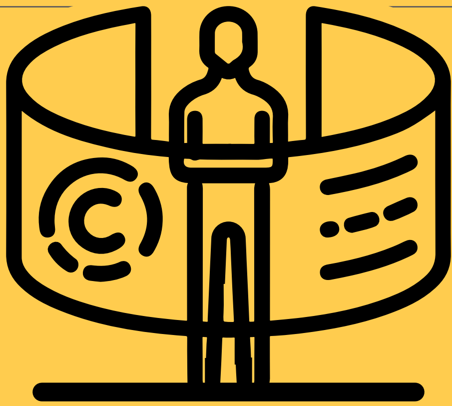
Paris Convention (1984)

Madrid Agreement (1989)

Berne Convention (1992)

Patent Cooperation Treaty (1993)

World Intellectual Property Organization (1985)



People's Congress (NPC) issued the *Decision on Establishment of Intellectual Property Rights Courts in Beijing, Shanghai and Guangzhou.* Before the end of the year, all three courts were fully functional. Following their success, six years later, in December 2020, the NPC decided to establish an additional IP court on the southern island of Hainan.

IP courts have first-instance jurisdiction in civil and administrative cases involving patents, new varieties of plants, integrated circuit layout designs, technical trade secrets and computer software. Furthermore, decisions made by organs of the State Council or local governments regarding copyrights, trademarks and unfair competition can be appealed to the IP courts. Finally, these courts can also make decisions in civil cases on trademark recognition.

Since 2017, the Supreme People's Court has authorised the establishment of IP Tribunals by Intermediate People's Courts in Nanjing, Shenzhen, Wuhan, Hangzhou and 15 other cities. The specialised IP Tribunals resemble the specialised IP courts in many aspects. For example, both are intermediate-level courts and exercise jurisdictions over similar subject matters, such as patents and technology-related cases. However, while IP courts only have jurisdiction over IP cases within their own city limits, IP Tribunals have cross-regional jurisdiction over the entire province or multiple cities within that province.

Furthermore, in 2017, China established the first Internet Court in Hangzhou. Due to its initial success, in September 2018, further Internet Courts were added in Beijing and Guangzhou. These courts have jurisdiction exclusively over online copyright disputes. As a special feature, the entire litigation process happens online, making it accessible 24/7 from a phone or laptop.

On 1st January 2019, the Supreme People's Court officially established an appellate-level Intellectual Property Tribunal. This tribunal is subject to a pilot period of three years and centralises jurisdiction over appeals involving patent infringements/ invalidation and other high-technology or antitrust IP disputes.

The institutional setup also underwent important changes. On 3rd September 2018, the State Intellectual Property Office was reorganised as the China National Intellectual Property Administration (CNIPA). This move centralised the administration of patents, trademarks, geographical indications and integrated circuits layout design under one institution. Oddly, copyright administration remained under the National Copyright Administration of China.

The main purpose of this reform was to improve the efficiency of IP administration and increase its power. Before the institutional reorganisation, each type of IP was handled by a different office, creating difficulties in the management and enforcement of IPR. Now, administrative IP enforcement is carried out by three different offices – the CNIPA, which as well as dealing with administrative actions over registered IPRs provides guidance on trademark and patent enforcement; the State Administration for Market Regulation conducts investigations, collects evidence and confiscates goods; and the Customs focusses on IP infringement at China's borders.

The reform of the IP protection system is continuing with recent amendments to the main IP laws (Trademark, 2019; Copyright, 2021; Patents, 2021), intended to modernise and strengthen IP protection while giving more powers to the judicial and administrative authorities.

In the next issue of *EURObiz*, we will examine how these reforms to the domestic IP protection system have been received, and the indications from the Chinese Government on the future path IPR enforcement in China will take. Eb

CHINA IPR
SME HELPDESK

Matias Zubimendi is IP business advisor at the China IPR SME Helpdesk.

The **China IPR SME Helpdesk** supports small and medium-sized enterprises (SMEs) from European Union (EU) Member States to protect and enforce IPR in or relating to China, Hong Kong, Macao and Taiwan, through the provision of free information and services. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive free and confidential first-line advice within three working days.

The China IPR SME Helpdesk is an EU initiative.

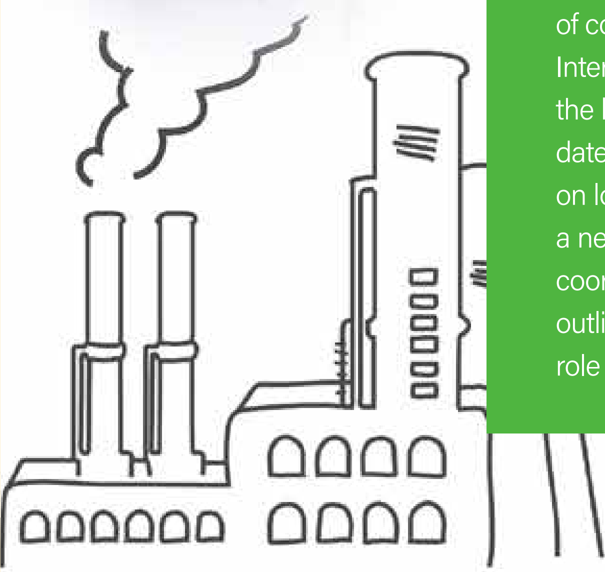
To learn more about the China IPR SME Helpdesk and any aspect of IPR in China, please visit our online portal at http://www.ipr-hub.eu/

Turning Over a New Leaf

Examining the WTO's role in the sustainable development of the energy sector

by **Catalina Fernandez Silva**

The energy sector is responsible for much of the world's greenhouse gas emissions. This makes it a key player in the fight against climate change, and calls for a transformation of how the sector operates. The transition to cleaner energy also involves trade, through the exchange of commodities and technologies vital to realising this transformation. International, domestic and individual efforts are all necessary to make the long-term transition happen. Yet most climate change pledges to date fall short of what is needed to meet the Paris Agreement goals on lowering emissions. Is it too late for the energy industry to turn over a new leaf? In this article, **Catalina Fernandez Silva**, working group coordinator at the European Union Chamber of Commerce in China, outlines the requirements involved in a transition to clean energy and the role of the World Trade Organization (WTO) in the process.



Easier said than done: the path to clean energy

The United Nations (UN) High-level Dialogue on Energy's 2021 report on energy transition calls attention to the urgency of energy reform and international cooperation. It also pinpoints the energy industry as responsible for an alarming 65 per cent of total worldwide greenhouse gas emissions. Today's global renewable capacity is less than half of the estimated 8,000 gigawatts (GW) needed to enable the UN's 2030 Agenda for Sustainable Development. The report also pointed out that accomplishing this target would boost global gross domestic product (GDP) by an average of 1.3 per cent per year between 2020 and 2030.[1]

Drastic change needs to happen and fast – this is evident from just a few of the milestones the UN outlined as essential to ensure a clear path for a decarbonised 2050, where 92 per cent of energy should come from renewable technologies: by 2025, 100 countries should have targets for 100 per cent clean power; all major oil and gas companies need verified net-zero commitments; and there should be no new coal plants in the pipeline.[2] With imminent deadlines just a few years away, governments, communities, international and regional institutions need to act before it is too late.

A clean energy transition consists of shifting away from CO_2 emitting fossil fuels—oil, natural gas and coal—as consumption and production energy sources to renewable energy sources such as solar, wind, nuclear and hydroelectricity. Although progress in shifting to renewable sources of energy is vital, innovation and solutions for mass energy storage is just as necessary to be able to ensure long-term stability. In parallel, the aim of this difficult transformation is to improve clean energy access, efficiency, and infrastructure, along with exploring the potential of carbon capture storage and/or utilisation.

Countries around the globe are already committing to tangible steps towards clean energy; Chile, Germany, Narau, the United Arab Emirates and the United States, among others, recently pledged clear intended actions ranging from investments in technology to supporting access to 'clean cooking', and scaling up any successful methods of transitioning to renewable energy.[3]

The transformation of the energy sector largely hinges on the innovation, development and availability of clean energy technology (CET). CETs include solar panels that generate electricity by converting sunlight into energy; turbines that produce electricity from the power of the wind or the force of flowing water; electricity grids that transport power over long distances; energy storage infrastructure; and other mechanisms that allow for the use of natural clean sources of energy. CETs are the best tool in the box when working to meet supply and demand for cleaner energy worldwide for all.

WTO's footprint in clean energy transition

The WTO promotes transparent and fair trade, open markets, and sustainable economic growth across its 164 members, which 98 per cent of world trade.[4] In the fight against climate change, bridging trade and environmental policies is critical to

65%

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1.3%

Accomplishing the 8,000 GW target for global renewable capacity would boost global GDP by an average of 1.3 per cent per year between 2020 and 2030.

100%

By 2025, 100 countries should have targets for 100 per cent clean power.

164 members

The WTO promotes transparent and fair trade, open markets and sustainable economic growth across its 164 members representing 98 per cent of world trade.

[1] *Theme Report on Energy Transition: Towards Achievement of SDG 7 and Net–Zero Emissions*, United Nations, 2021, p. 9.
[2] *Theme Report on Energy Transition: Towards Achievement of SDG 7 and Net–Zero Emissions*, United Nations, 2021, p. 6.
[3] *New commitments at UN energy summit a major stride towards affordable and clean energy, but much work ahead to halve energy access gap by 2025*, United Nations Development Programme, viewed 30th October 2021 <https://www.undp.org/press–releases/new–commitments–un–energy–summit–major–stride–towards–affordable–and–clean–energy>

simultaneously making the production and consumption of energy greener and more sustainable.[5]

While the access to, and innovation and expansion of, CETs is of utmost importance to a successful clean energy transformation, it goes hand-in-hand with open markets, increased investment, supply chains, and supportive domestic/international trade policies and frameworks. Moreover, the push for the proliferation of these technologies and the removal of trade barriers inevitably relies on WTO mechanisms to ensure accountability. In the long list of trade barriers, a key obstacle is tariffs on environmental goods (EG), including CETs, which raise the cost of the products and decreases their competitive advantage.[6]

In 2016, the WTO Environmental Goods Agreement (EGA)—an attempt to liberalise and boost trade of EGs—collapsed after many years of negotiations. The main points of contention centred around the list of goods to be included, the scope of tariff reductions, a lack of participation of developing countries, and political implications.[7] Country leaders chose to listen to their domestic industries—which feared increased competition—and did not act in the interest of the worldwide battle against climate change. Creating a new similar agreement would prove valuable to the WTO, sustainable development and the clean energy transition as a whole, though reviving negotiations on the EGA is unlikely due to the political interests at play.

What lies ahead?

Our reliance on fossil fuels as sources of energy were evident when energy crises stemming from increased demand amid COVID-19 economic recovery struck the EU, US and China. These energy crises highlight the need for a smooth and well-planned transition to cleaner sources of energy; The future must incorporate diversified sources of energy targeting not only the consumer but also mass storage solutions – making our energy system a more complex, reliable and efficient one.

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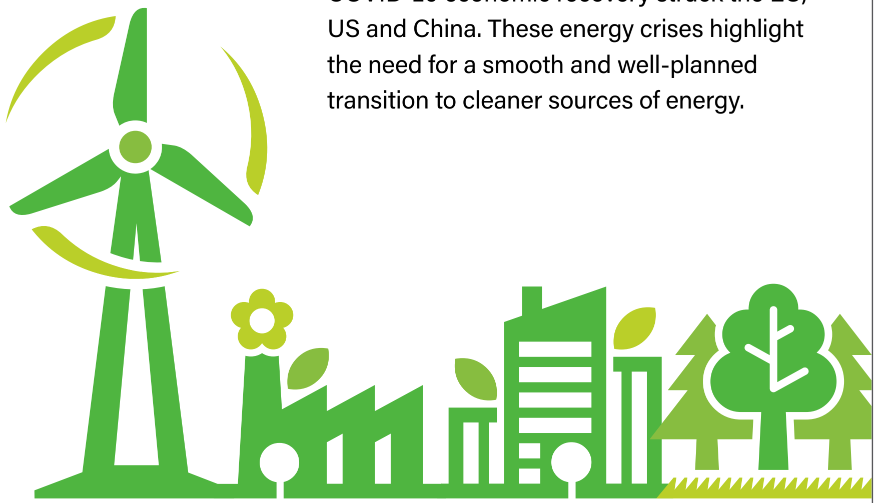

Cleaning up the energy sector may seem like an uphill battle. The most efficient and effective way to combat climate change may be in smaller scale regional initiatives in energy transition—such as the new US-China Joint Glasgow Declaration on Enhancing Climate Action in the 2020s. This partnership by two of the world's largest CO_2 emitters includes efforts within their respective countries, bilaterally and globally; main objectives include a clean energy transition, enacting policies surrounding the development of technologies and increased cooperation.[8] The WTO must incentivise more bilateral and regional initiatives, as well as ensuring that they are executed. The EU, the US and China must continue to create policies and positive change aimed at combatting climate change. Healthy soft-power competition between these superpowers on innovation and reaching their respective climate and clean-energy goals, coupled with continued cooperation, is what will truly drive this worldwide transition to renewable energy.

This brief overview of the clean energy transition and the role of trade in the transformation barely scratches the surface of the factors and stakeholders at play. Although uncertainty still looms ahead, one thing is clear; it is not too late to turn over a new leaf if actions are taken immediately. Eb

[4] World Trade Organization website, <https://www.wto.org/english/thewto_e/whatis_e/who_we_are_e.htm>

[5] *Mainstreaming trade to attain the Sustainable Development Goals*, World Trade Organization, 2018, viewed 20th October 2021, p. 47 <https://www.wto.org/english/res_e/publications_e/sdg_e.htm>

[6] *Clean Energy Technologies and the Trade System: Proposals and Analysis*. E15Initiative. Geneva: International Centre for Trade and Sustainable Development and World Economic Forum, 2013, p. 22.

[7] *Environmental Goods Agreement: A New Frontier or an Old Stalemate?*, Center for Strategic and International Studies, viewed 5th November 2021 <https://www.csis.org/analysis/environmental–goods–agreement–new–frontier–or–old–stalemate>

[8] US Department of State, <https://www.state.gov/u–s–china–joint–glasgow–declaration–on–enhancing–climate–action–in–the–2020s/>

Cause for Dispute

China's reliance on SOEs continues despite reform commitments

by **Shane Farrelly**

When contemplating the 20th anniversary of China's accession to the World Trade Organization (WTO), which brought about much publicised and historical changes to the Chinese economy amid domestic political reforms, it would be remiss not to also mention the frictions China's integration into the world economy has caused, not least in recent years. **Shane Farrelly** from **D'Andrea & Partners** examines China's dispute record within the WTO system, the lingering tensions between other WTO members and China, and trade agreements negotiated since.

Integration and changing attitudes

China's changing attitude towards international litigation over the years becomes evident when examining their approach to the WTO dispute settlement system, especially given Beijing's previous position on resolution of disputes by international tribunals.[1] In recent years, China has trailed only the United States, the European Union and Japan in initiating disputes in the WTO.[2]

Lingering frustrations between other WTO members and China

It was generally believed within the WTO membership at the time of China's accession that the Chinese economic system would gradually converge with more liberal market economies. These hopes were most notably set out in the Protocol of Accession,[3] which predicted that China would become a market economy by 2015. However, it is important to note that while the Protocol of Accession contains many best-endeavour clauses, these are not legally enforceable obligations.

Therefore, in reality, there weren't any provisions within the Protocol of Accession that would have obliged China to open its closed market. As a result, China's integration into the world economy hasn't been the seamless transition once anticipated, and Beijing's foreign-investment-related policies and practices, encouragement of state-owned enterprises (SOEs) and enforcement of intellectual property rights (IPR) remain common concerns among the business community.

Chinese SOEs and the WTO

Regarding SOEs in particular, China joining the WTO was supposed to lead to a decline in the prevalence of and preferential treatment for these types of firms in the Chinese market. Unfortunately, this is not how it worked out over the past 20 years; in fact, the number of Chinese SOEs ranked among the Fortune Global 500 has continued to grow considerably since 2005.[4]

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[1] December 2009 was the first time that the People's Republic of China had chosen to take part in International Court of Justice proceedings. Since then, though China has rarely taken part in oral hearings, it has been involved in terms of statements provided regarding advisory opinions. Additionally, China refused membership of the International Criminal Court (ICC) in 1998, despite maintaining a dialogue with the court.

[2] *Disputes by member*, WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm>

[3] *Protocols of accession for new members since 1995, including commitments in goods and services*, WTO, <https://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm>

[4] Amir Guluzade, *The role of China's state–owned companies explained*, World Economic Forum, 7th May 2019, viewed 24th November 2021, <https://www.weforum.org/agenda/2019/05/why–chinas–state–owned–companies–still–have–a–key–role–to–play/>

China's SOEs clearly still play a substantial role in its economy, particularly in strategic sectors. A recent review conducted by the WTO heavily criticised China's "unfair trade practices", such as preferential treatment for SOEs, data restrictions, inadequate enforcement of IPR, cyber theft, and a general inconsistency with its WTO commitments.[5] While the responses from the Chinese side have reiterated its commitment to deepening reform and opening up the country's economy, no binding provisions have materialised.

Chinese SOEs enjoy considerable advantages unavailable to private enterprises—domestic or foreign—which stands in direct contravention of China's accession promises that it "would not influence, directly or indirectly, commercial decisions on the part of state-owned or state-invested enterprises."[6]

China is an active litigant within the WTO dispute settlement system as an applicant; however, on the whole, the number of disputes China faces at the WTO as a respondent is relatively low in comparison to its size and global trade volumes. The most likely reason behind this is that foreign investors would perhaps prefer to stay in the good graces of the Chinese authorities than push for improvements on fair competition.[7]

In addition to this, the WTO Appellate Body has previously stated that SOEs 100 per cent owned by the Chinese state are not even presumptively 'public bodies', and therefore not subject to WTO rules. Even if a WTO member is successful in their dispute resolution proceedings against China's preferential treatment for SOEs, China is not obliged to amend its regime, so alternative means of resolving this issue are required.[8]

Concluding remarks and moving forward

Alleviating problems of this magnitude perhaps cannot be achieved at a bilateral level; therefore, all nations should see to deepening and expanding strict measures on SOEs and forced technology transfers in trade agreements as well as strengthening the WTO's rules, in order to better discipline non-market activities. Examples of successfully negotiated trade agreements involving China, such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), contain chapters detailing rules on SOEs. China has also already agreed on some of these disciplines in the EU-China Comprehensive Agreement on Investment, though this agreement is unlikely to be ratified in the near future. Moving forward, the WTO Agreement on Subsidies and Countervailing Measures should make it clear that all SOEs shall be deemed as public bodies and must act in accordance with commercial considerations.

[5] *China's trade practices come under fire, BBC* <https://www.bbc.com/news/business–58991339>

[6] *False Promises II: The Continuing Gap Between China's WTO Commitments and Its Practices,* ITIF, <https://itif.org/publications/2021/07/26/false–promises–ii–continuing–gap–between–chinas–wto–commitments–and–its>

[7] *China and the WTO: Two systems meet*, VOX, CEPR Policy Portal, <https://voxeu.org/article/china–and–wto–two–systems–meet>

[8] *Definitive Anti–dumping and Countervailing Duties on Certain Products From China: Report of the Appellate Body (WT/DS379/AB/R) and Report of the Panel (WT/DS379/R)*, US Trade Representative, <https://ustr.gov/sites/default/files/uploads/Mar25%20Stmt%20US%20AD–CVD%20fin.pdf>

D'Andrea & Partners Legal Counsel (DP Group) was founded in 2013 by Carlo Diego D'Andrea and Matteo Hanbin Zhi, both of whom have extensive backgrounds in Chinese and EU law. DP Group currently has four service entities: D'Andrea & Partners Legal Counsel; PHC Tax & Accounting Advisory; EASTANT Communication and Events; and Chance & Better Education Consulting. DP Group has branches around the world, with locations in several major developing economies.

19TH OCT.
BEIJING

President conveys key messages of Position Paper 2021/2022 to commerce minister

European Chamber President Jörg Wuttke led an Advisory Council delegation to meet with Minister Wang Wentao at the Ministry of Commerce.
Photo: European Chamber

On 19th October, European Chamber President Jörg Wuttke led an Advisory Council delegation to meet with Minister Wang Wentao at the Ministry of Commerce (MOFCOM). Minister Wang thanked the European Chamber for its hard work in helping European business to better understand China, while acting as bridge between European business and the Chinese Government. He also spoke highly of the Chamber's annual *Position Paper* and expressed a strong interest in addressing the concerns raised by members. President Wuttke thanked the minister for the support provided to European business in China, particularly MOFCOM's special task force for foreign business set up after disruptions caused by the COVID pandemic.

President Wuttke expressed his belief that this meeting demonstrates China's commitment to further open up. He also raised issues including China's power shortages, the dual circulation strategy, carbon neutrality and access to clean energy, among others. Minister Wang said that China welcomes European business to bring their expertise and advanced technology to support the country in solving the challenges it faces in these areas.

8TH OCT.
BEIJING

President, WG chairs meet online with Chinese Ambassador to EU

A delegation of European Chamber working group chairs, led by President Wuttke, met online with Chinese Ambassador to the EU, HE Zhang Ming, and presented the *European Business in China Position Paper 2021/2022.*
Photo: European Chamber

On 8th October, a delegation of European Chamber working group chairs, led by President Wuttke, met online with Chinese Ambassador to the European Union (EU), HE Zhang Ming, and presented the *European Business in China Position Paper 2021/2022*. A wide variety of topics were discussed, including information technology; the Chinese standardisation system; individual income tax; China's increasing self-reliance; COVID-related travel restrictions; and decarbonisation. Ambassador Zhang expressed appreciation for the Chamber's efforts to help improve the Chinese business environment, and said he would submit the delegation's suggestions to the Chinese Government.

12TH OCT.
GUANGDONG

Chamber discusses power shortages and entry restrictions

On 12th October, South China Chapter Vice Chair Fabian Blake and Board Member Joanna Ye attended the Guangdong Power Supply Guaranteed and Entry Policy Forum jointly organised by the Guangdong Provincial Government's Department of Commerce, Energy Bureau and Foreign Affairs Office. Chen Yuehua, deputy director of the Department of Commerce, requested more details from the Chamber on the impact of the power shortages on enterprises, as well as on foreign workers having difficulties bringing their families to China.

14-15TH OCT.
JINAN

VP Giacconi leads delegation to Jinan, discusses transition to new drivers of growth

European Chamber VP Guido Giacconi led a business delegation to Jinan to meet with the local governments.
Photo: European Chamber

From 14–15th October, European Chamber Vice President (VP) Guido Giacconi led a business delegation—composed of more than 20 Chamber representatives including chairs, vice chairs and core members of the Environment, Energy, Carbon Market and Insurance working groups, as well as Advisory Council members—to Jinan to meet with the local governments. VP Giacconi presented the *European Business in China Position Paper 2021/2022* to Cui Hongguang, deputy director general of the Shandong Department of Commerce and Sun Shutao, mayor of Jinan.

16TH SEP.
CHENGDU

VP Bagnasco, Advisory Council members meet with Chengdu mayor

European Chamber VP and Southwest China Chapter Chair Massimo Bagnasco led an Advisory Council member delegation to meet with Mr Wang Fengchao, mayor of Chengdu.
Photo: European Chamber

On 16th September, European Chamber VP and Southwest China Chapter Chair Massimo Bagnasco led an Advisory Council member delegation to meet with Mr Wang Fengchao, mayor of Chengdu. VP Bagnasco outlined the key findings of the *Business Confidence Survey 2021* (BCS). Topics discussed included the 14th Five-year Plan implementation in terms of carbon neutrality and the Chengdu-Chongqing Economic Circle. Mayor Wang vowed to facilitate communication, including policy briefings, between the two sides on these matters. Chengdu Vice Mayor Liu Xiaoliu also attended the meeting, as well as officials from the Chengdu High-Tech Zone, Tianfu New Area and the Chengdu Bureau of Exposition.

19TH OCT.
SHANGHAI

Chamber's key messages delivered at World China Studies Forum

European Chamber VP and Shanghai Chapter Chair Bettina Schoen–Baehanzin attended the 9th World China Studies Forum and conveyed key messages of the *Position Paper 2021/2022.*
Photo: European Chamber

On 19th October, European Chamber VP and Shanghai Chapter Chair Bettina Schoen-Behanzin attended the 9th World China Studies Forum and conveyed key messages of the *Position Paper 2021/2022*. She also presented the main findings from the Chamber's BCS 2021. VP Schoen-Behanzin answered questions on best ways to open borders and facilitate international travel, during which she emphasised the importance of connectivity to China and to the global economic recovery.

COP15 in China

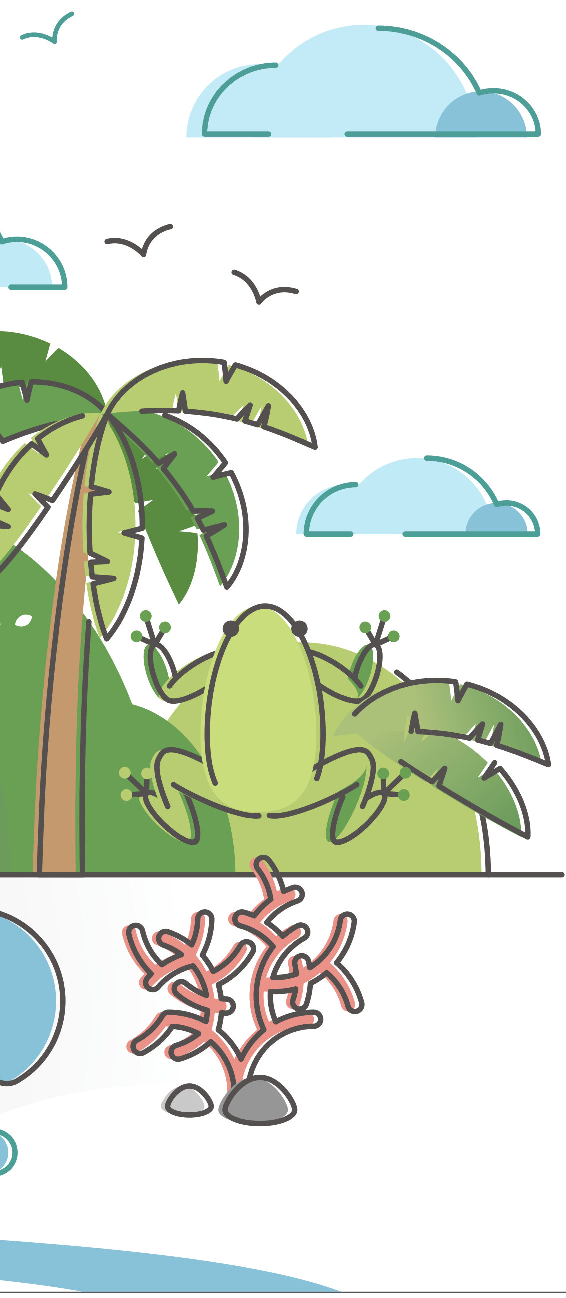
Why and how businesses should nurture their future success in nature

by **Benjamin Cooper**

At the first part of the United Nations (UN) biodiversity summit—which took place in Kunming, Yunnan Province, in October 2021—global leaders took a modest yet promising step towards strengthening biodiversity governance and securing a nature-positive future. A Paris Agreement-style accord for biodiversity may now lie just over the horizon at COP15's second phase in spring 2022. **Benjamin Cooper** of **Hill+Knowlton Strategies (H+K)** tells us more.

This autumn, China hosted the first phase of a once-in-a-decade UN summit that aims to set a new global framework for biodiversity governance through 2030. After being delayed twice due to the pandemic, the 15th Meeting of the Parties to the Convention on Biological Diversity (CBD)—COP15 in short—has been split into two chapters, the first of which recently concluded in Kunming.

As the main outcome, more than 100 countries adopted the Kunming Declaration to guide final negotiations on the draft nature treaty, pledging to develop, adopt and implement an effective post-2020 global biodiversity framework that would put biodiversity on a path to recovery by 2030. In addition, China also announced several new global and in-country endeavours, including the creation of a global biodiversity fund to support developing nations and the launch of its first-ever group of national parks.



Urgency of reversing nature loss before it is too late

Although overshadowed by the better-known COP26, COP15 is just as important. The world has seen rapid and often unprecedented biodiversity losses in recent years, with one million species now at threat of extinction. Given that over half of global gross domestic product (GDP) is moderately or highly dependent on nature and its services, according to research by the World Economic Forum (WEF),[1] a failure to act now and reverse current trends would lead to severe consequences for economies, societies and human health.

Yet while nature's contribution to humanity is undeniable, awareness of the urgency of protecting biodiversity and halting the unsustainable use of natural resources has lagged far behind that of fighting climate change. With COP15's first phase now complete, it is critical to continue elevating biodiversity in the public's mind and on political and business agendas ahead of phase two in spring 2022, when global leaders will hopefully ratify a game-changing accord that will help transition the world onto a nature-positive trajectory.

Rethinking the business world's relationship with natural systems

Governments and civil society alone will not be able to reverse the loss of biodiversity. Doing so will require full buy-in from the private sector as well. Yet while biodiversity underpins economies, markets and businesses have mostly been designed to exploit nature rather than protect it.

But that is no longer sustainable. If the world fails to act now and stop further nature loss, it could cost the global economy trillions of dollars, disrupt countless industries and affect millions of people's lives. Alternatively, the shift towards a nature-positive economy could create an incredible US dollars (USD) 10.1 trillion of business opportunities and generate 395 million jobs by 2030, according to another WEF study.[2]

Fortunately, the business community is now increasingly recognising both the risks of persisting with business-as-usual and the gains to be reaped by embedding biodiversity within their decision-making. For instance, more than 1,000 companies, representing USD 4.7 trillion in annual revenue, have signed Business for Nature's Call to Action urging governments to adopt policies now to reverse nature loss by 2030.[3]

However, while momentum is building, businesses still have a long way to go. Historically, companies have been

[1] Amanda Russo, *Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report*, WEF, 19th January 2020, 11th November 2021, <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/>

[2] Amanda Russo and Max Hall, *395 Million New Jobs by 2030 if Businesses Prioritize Nature, Says World Economic Forum*, WEF, 14th July 2020, viewed 11th November 2021, <https://www.weforum.org/press/2020/07/395-million-new-jobs-by-2030-if-businesses-prioritize-nature-says-world-economic-forum/>

[3] *Call to Action,* Business for Nature, viewed 11th November 2021, <https://www.businessfornature.org/call-to-action>

much more active on the climate agenda, as the sheer complexity of biodiversity and the countless species and ecosystems around the world that need protection is more difficult to comprehend. The very multidimensionality of the nature agenda has made it much more challenging to come up with a single indicator as simple as reducing emissions.

That is where the post-2020 global framework for biodiversity should come in. Nothing can replicate the need for strong policy frameworks that will drive action. Unless COP15's second phase produces a robust biodiversity framework similar to the Paris Agreement—one that companies can easily link back to and use to scale up their own efforts—then hopes to systemise the corporate world's approach to nature protection could remain unrealised.

Key recommendations

For businesses, while the journey towards becoming nature-positive will not be an easy one, it will empower them to reinvigorate their purpose, strengthen their licence to operate, and unlock greater profits. As companies rethink their relationship with nature and how to better position themselves for future success, here are six recommendations:

1. Be an early mover. Act with a sense of urgency and charge out the gate in support of COP15's 2030 roadmap – not only because it's the right thing to do, but because those that are forward-thinking and take steps to transform early also stand to gain immensely. By capitalising on the growing movement to protect nature and positioning themselves at the centre of the transition, companies can secure an early mover advantage that will open up new business opportunities and strengthen their corporate reputations.
2. Embed biodiversity at the heart of business decision-making. Naturalise biodiversity throughout your corporate DNA by orientating your business model with the drive towards a nature-positive future. Take internal action within supply chains and business operations, and external action by ramping up regulatory and other stakeholder engagement, positioning your company as a public champion for biodiversity. And redefine risk beyond a narrow view of short-term material risks by taking the health of nature explicitly into account as a threat to your own business health.
3. Synergise efforts on nature and the race to net zero. As the world confronts the dual biodiversity and climate crises, businesses don't need to prioritise addressing one over the other. These global emergencies are deeply intertwined, and by harmonising approaches, companies can establish a more holistic sustainability strategy that effectively plays to both agendas – and ultimately delivers a much wider impact.
4. Align with the new global biodiversity framework and set smart goals. The 2030 blueprint will provide businesses with a framework that they can connect with and leverage to scale up their own nature-focussed initiatives.[4] Many of the draft targets are directly relevant to the private sector, creating huge space for companies to contribute and help fill the gaps – around financing, expertise, technical solutions and more. After identifying where their business would be best aligned to make a difference, companies can then set their own biodiversity goals. These should be specific, measurable and feasible.
5. Leverage partnerships and multi-stakeholder coalitions. Don't act alone. No single actor can halt and reverse the tide of biodiversity loss. This will be a framework for all, and its success will depend on collective efforts, with a high degree of coordination across policymakers, civil society, financial institutions and businesses. Companies will have to work in a collaborative environment where they deepen existing partnerships, forge new ones, and join multi-stakeholder platforms that can add the capacity and scale to achieve systemic change.
6. Weave nature into corporate narratives. If you preserved a tree in the forest, did anyone hear it? Companies should harness the power of storytelling to inform their target audiences exactly what they are doing to protect nature and the meaningful impacts being delivered. This will require differentiated messaging that resonates with various groups, depending on their level of familiarity with the topic.

[4] *China's new five–year blueprint paves way for 2060 carbon–neutrality, Xinhua*, 9th March 2021, viewed 12th November 2021, <http://english.www.gov.cn/news/topnews/202103/09/content_WS6046cf92c6d0719374afa6a5.html>

Hill+Knowlton Strategies (H+K) is a public relations and integrated communications agency with 85 offices around the globe. In China, our Government & Public Affairs Practice provides bespoke policy and political expertise. As local and global policy experts, we know that politics doesn't operate in a vacuum and that public affairs can't either. More than ever before, it is vital that businesses understand and adapt not only to the changing political and regulatory environment, but also to the cultural and societal expectations impacting their futures.

At H+K China, we see the whole picture. We partner with our clients to find solutions. We help them successfully engage with their policy and regulatory stakeholders, to pre-empt and respond to the fundamental policy challenges facing their businesses. We focus on outcomes rather than processes and enable our clients to move with and shape public opinion. For further information, please contact Benjamin.Cooper@hkstrategies.com or Philippe.Healey@hkstrategies.com.

AUDITING SUPPLY CHAINS

How to review your suppliers in China

by **Simon Laube** and **Ivy Gu**

In any global value chain, functioning supplier-buyer relationships are a key ingredient for successful and efficient conduct of business, as well as to ensure compliance with emerging global regulations on supply chains. From large multinational corporations (MNCs) to small and medium-sized enterprises (SMEs), managers must ensure that communication channels are functioning, and supply chain risks mitigated effectively. In the following article, **Simon Laube** and **Ivy Gu** of **Dezan Shira** provide an overview of areas that managers should consider when reviewing their suppliers or business partners in general.

Inroads for supplier review

Traditionally, larger buyers perform regular quality and financial audits of their suppliers. However, this is not possible for many SMEs that have suppliers in China. Lacking the political weight or financial resources of MNCs, many SMEs rely instead on suppliers' self-assessments or even information discovered during business trips. The latter approach has become increasingly challenging due to the restrictive travel policies adopted by countries during the COVID-19 pandemic.

This article provides suggestions for supplier reviews that can be performed by local teams in a cost-efficient manner, resulting in an improved understanding of a given supplier's business, such as the business relationships, competitive pricing, potential exclusivity agreements and operational stability of a target.

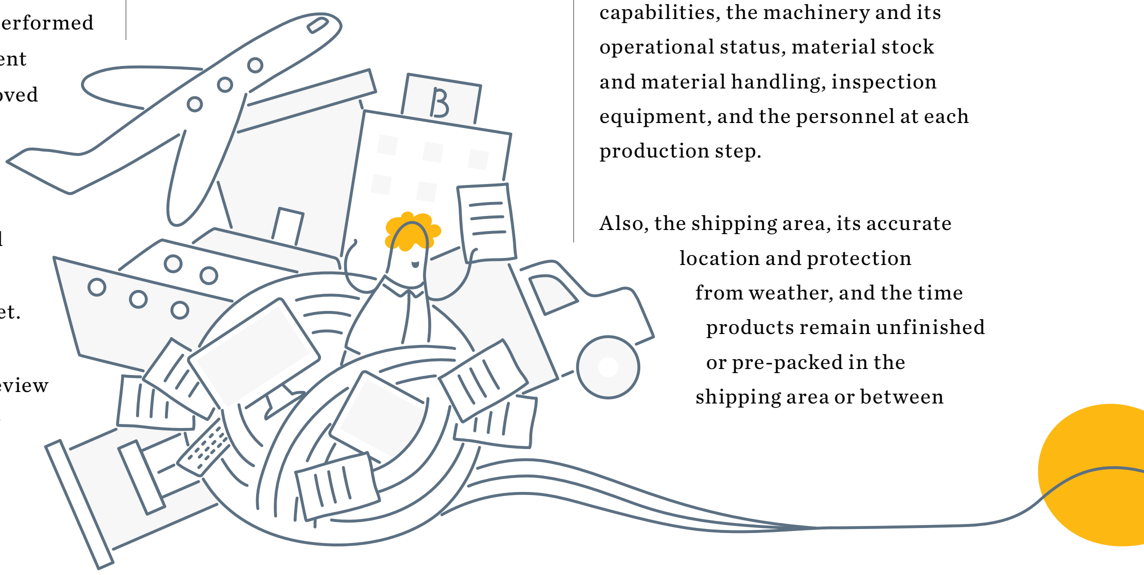
The approach for a supplier review can be via either a 'regular' or 'special' route.

The regular route applies to business partners that have requirements for supplier reviews in their initial agreements. Usually this is the case if the end-customer has requirements that need to be implemented throughout the supply chain, or if a customer has large-volume contracts in place with a supplier. However, there are also low-volume cases with specific needs that require regular reviews in the absence of end-customer requirements.

Special supplier reviews can be initiated when there is a change in business or when irregularities occur, such as inaccurate delivery times or discrepancies between order and delivery. Quality claims, insufficient or uncertain capacity, and stocktaking are also valid reasons for a special supplier review. While the pandemic disrupted global supply chains, it also opened up the opportunity to review suppliers.

In addition, special reviews are necessary for financial changes in a business relationship. A co-investment by the buyer or a change in the payment terms to aid a supplier's working capital position requires financial and operational due diligence. If a customer has concerns about the solvency of a supplier, but does not have access to accurate financial data, hiring professionals on the ground to visit the recipient can help to maintain a basic level of trust. However, cooperation by the supplier to allow their books to be audited is necessary to gain certainty about the financial reality.

In cases when communication issues create uncertainty about future business outcomes, this can be dealt with by performing some simple fact checks and reviewing objective data.



What to review?

Supplier reviews can consist of multiple sections that can be roughly organised into operational, procedural and administrative reviews.

Operational review

An operational review requires a visit to all production facilities that play a role in the business.

Customers should pay attention to the accuracy of what a supplier claims, compared to what is actually found to be true. Examples are the exact size of the production facility, the production capabilities, the machinery and its operational status, material stock and material handling, inspection equipment, and the personnel at each production step.

Also, the shipping area, its accurate location and protection from weather, and the time products remain unfinished or pre-packed in the shipping area or between production steps, can hint at how quality-orientated a supplier is.

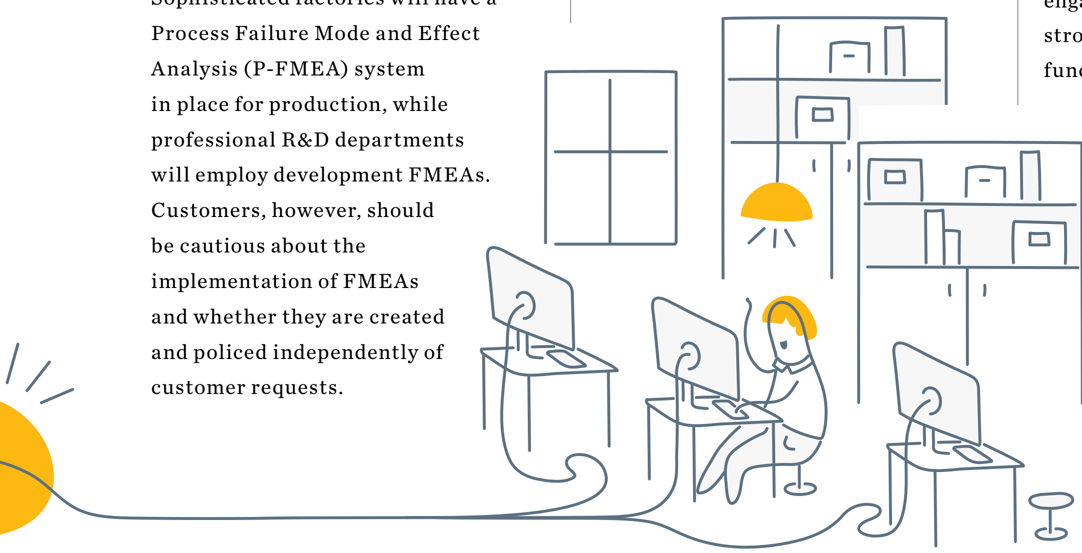
Official certificates and objective documents—like company hierarchies, process-flow charts and work instructions at the specific locations—are usually part of such reviews.

A stocktaking, or inventory count, is part of more time-consuming operations that requires physical visits to a designated location. It can be performed independently or in conjunction with other reviews.

Procedural review

A procedural review requires a higher degree of supplier collaboration. Vertically-integrated industries, such as automotive, are more often subject to reviews of management procedures (for example, product development and risk mitigation). The customer can review whether the supplier has standard project management procedures implemented in practice with an internal reporting system defined for each milestone.

A mechanism to flag risks occurring in the development process that could lead to product failures or a simple breach of deadlines is also important. Sophisticated factories will have a Process Failure Mode and Effect Analysis (P-FMEA) system in place for production, while professional R&D departments will employ development FMEAs. Customers, however, should be cautious about the implementation of FMEAs and whether they are created and policed independently of customer requests.



In addition to these aspects, which are usually subject to full quality audits, there are other, simpler procedures. These can be investigated through business processes the supplier has with other stakeholders. One example is the material order process; how an order is placed, whether in bulk or according to demand, can reveal a supplier's professionalism and financial prudence. The supplier should be able to show its order book and prove that its orders have been received on time. Such order-delivery accuracy will indicate if there are irregularities to be expected in your supply chain.

Another example is the availability of production manuals and instructions for workers, as well as official technical standards necessary to understand customer requirements. Furthermore, official certificates, such as insurance policies and management certifications, should be available when visiting a supplier without prior notice.

Administrative review

The third category is an administrative review, which can partially be conducted remotely.

Basic items a customer should review are the supplier's business licence, its business scope and registered capital, as well as its legal history and changes to its business in the past. The official shareholder structure and potential non-public stakeholders can reveal how a supplier is integrated into an industry and where financial resources come from.

A second step requiring deeper investigation is the business relationships the supplier has with the customer's competitors or major customers in other product categories. While this data is hardly easy to obtain, sophisticated suppliers will be open to disclose non-confidential relationships and provide customer references to verify their claims.

Of special interest are price benchmarks. This is not directly related to an administrative supplier review since pricing is confidential in most cases. Professional consultants, however, can help achieve clarity about market prices and the competitive position of a supplier.

Summary

In international business, face-to-face engagements are crucial to establish strong business relationships with functioning communication channels and swift risk mitigation. Traditionally, business trips have served to form such communication channels, while financial and quality audits have established facts. However, to overcome current issues with travel restrictions, supplier reviews may be outsourced and conducted on a sub-set of items tailored to individual needs, which may be distinct from full quality and financial audits.

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Digitalising Human Resources

The era of electronic labour contracts is coming

by **Cindy Di**

On 1st July 2021, the Ministry of Human Resources and Social Security (MOHRSS) issued the *Guidelines for the Conclusion of Electronic Labour Contracts [2021 No. 54] (Guidelines)* to provide employers with comprehensive guidance on the appropriate process to follow. The *Guidelines* mark the official transition of labour contract signing procedures into the digital era, as traditional paperwork gives way to electronic versions with online e-signatures. **Cindy Di** of **Hawksford** explains why companies should start looking into electronic labour contracts as early as possible, especially firms in industries in which there is frequent turnover of staff and a complex allocation of employees, such as wholesale, retail, catering and labour-intensive factories.

The introduction of electronic labour contracts will allow companies to enhance efficiency in their human resource (HR) departments, cut administrative costs and mitigate risks derived from using paper-based originals. However, when concluding an electronic labour contract with employees, employers need to be aware of several aspects.

First of all, the electronic labour contract management platform chosen to conclude a contract between an employer and employee must comply with the relevant laws and regulations.

Second, the platform should provide a full batch of services/solutions—such as labour contract conclusion, retrieval, storage and application, among others—through effective and user-friendly information technology. Functions like identity authentication, electronic signature, informed consent confirmation and data security protection should also be available on the platform, to ensure that the processing of and data contained in electronic labour contracts are legally compliant. In addition, the platform must be capable of guaranteeing the authenticity, completeness, accuracy, tamper-proof capacity and traceability of electronic contracts.

The *Guidelines* specify that only digital certificates and keys issued by legally-established electronic certification service organisations that comply with the Electronic Signature Law can be used to perform electronic signatures. Once the employer and the employee have provided reliable electronic signatures with a trusted timestamp, the electronic labour contract will come into effect.

When communicating with employees, employers should pay attention to the following:

- According to the *Letter on Information of Electronic Labour Contracts Related Issues [2020 No. 33] (Letter)* released by the MOHRSS, an electronic labour contract can be concluded if all parties reach a consensus through consultation. This means that employers must obtain consent from employees before concluding a labour contract in digital form. If the employee refuses to use an electronic contract, the employer cannot terminate the labour relationship as a result, but must respect the employee's decision and adopt a paper version instead.
- Before concluding an electronic labour contract, the employer must inform the employee—in a clear manner and free of charge—of the procedure, operating methods, precautions and ways to view and download the complete text of the contract.
- Once the electronic labour contract is concluded, employers should notify employees by mobile phone text message, WeChat, email or app, and prompt them to download and save a copy of the text.
- Employers should ensure that employees can view, download and print out the complete content of their electronic labour contract through commonly-used devices at any time without incurring any fees.
- If employees need an official hard copy of the electronic labour contract, employers should provide at least one copy for free, and verify that it is consistent with the original digital copy by stamps or other methods.

Employers should ensure that employees' right to know, express their true intentions towards and obtain the text of the labour contract (electronic or paper) are protected during the process of signing the labour contract.

According to Article 14 of the Electronic Signature Law, a reliable electronic signature has the same legal effect as a handwritten signature or seal. The employer must comply with the Electronic Signature Law to ensure the validity of the electronic labour contract.

Employers are also obliged to provide a secure digital environment for signing electronic contracts and using electronic signatures, which will protect the data if key electronic signatures or seals are stolen or leaked. In addition, the employer should save records of the entire signing process to mitigate legal risks.

In conclusion, the implementation of electronic labour contracts has increased requirements for companies and their HR staff. Both domestic and foreign enterprises need to familiarise themselves with the new compliance standards and regulations on electronic labour contacts, as they raise several potential challenges for businesses that intend to transition into the era of digitalisation and make paper records redundant.

Cindy Di is China Head of HR & Payroll Services at Hawksford. With over 20 years' experience in the HR field, Cindy specialises in compensation and benefits (C&B), learning management and HR outsourcing and services.

Media Watch

Annual Position Paper continues to grab media attention

On 23rd September, the European Chamber launched its *European Business in China Position Paper 2021/2022* in Beijing. Top-tier international media showed a great deal of interest in this year's *Position Paper*, with strong participation in the pre-launch embargoed media sessions. Seven original articles were subsequently published by some of the most influential outlets, including *AP*, *Bloomberg*, *The New York Times*, *Reuters*, *South China Morning Post* and *The Wall Street Journal*. These articles covered the general concern among members that China seems to be turning more inward. The Chamber's call for China to "keep embracing globalisation" was also amplified. *Bloomberg* and *CNBC* also recorded interviews with Chamber President Jörg Wuttke on the official launch day.

President Wuttke interviewed by *CNBC* during the *Position Paper* launch.
Media: ***CNBC***
Date: 23rd September 2021

Chamber VP and Shanghai Chapter Chair Bettina Schoen–Behanzin was interviewed during the local launch
Media: ***CGTN***
Date: 23rd September 2021

Chamber VP/Shanghai Chapter chair highlights EU-China cooperation opportunities to CGTN

The European Chamber Shanghai Chapter also held a launch event for the *European Business in China Position Paper 2021/2022* on 23rd September. *CGTN* reported on the event and interviewed Bettina Schoen-Behanzin, European Chamber vice president (VP) and Shanghai Chapter chair. VP Schoen-Behanzin highlighted the cooperation potentiality with China in the fields of environment protection and decarbonisation, saying, "European companies are very good at the technology that helps to achieve this goal of being carbon neutral by 2060. We really have to work together here in this area".

SG Dunnett featured in CRI podcast on China's WTO accession

Ahead of the 20th anniversary of China's accession to the World Trade Organization (WTO) , Chinese media approached the European Chamber for interviews on changes the country's membership has brought about. On 6th September, Secretary General (SG) Adam Dunnett joined *China Radio International*'s (*CRI*'s) *'Chat Lounge'* programme, with the 56-minute-long podcast subsequently uploaded to their website. SG Dunnett explained that both China and western countries benefitted enormously from China's WTO accession. On challenges European companies face in China, SG Dunnett said that enormous amounts of state-funded subsidies have gone into strategic sectors that foreign enterprises also want to access and invest in, blocking their entry to the market.

Business

European Companies Urge China to Better Manage Energy Crisis

Bloomberg News
13 October 2021, 13:44 GMT+8

Article by *Bloomberg* following media roundtable
Media: ***Bloomberg***
Date: 13th October

Oct 14, 2021 08:17 PM CHINA

European Businesses Want More Clarity About Power Cuts as Outages Persist

By Zhenhua Lu

Article by *Caixin Global* following media roundtable
Media: ***Caixin***
Date: 14th October

中国欧盟商会发布《企业信心调查》，欧洲企业看好华南商业环境

日前，中国欧盟商会华南分会在深圳发布《企业信心调查2021》，详细阐述了欧洲企业对未来两年商业环境的展望，并强调了它们面临的关键挑战。报告显示，欧洲企业比以往任何时候都更致力于将华南地区作为投资目的地，有9成受访企业者表示没有将业务迁出这一地区的计划。

Article by local media on South China Chapter's *Business Confidence Survey* launch
Media: ***Shenzhen Special Zone Daily***
Date: 9th September

South China Chapter BCS launch puts spotlight on local members' concerns

On 3rd September, the South China Chapter held its *Business Confidence Survey 2021* launch event with seven media representatives attending, resulting in seven articles based on the Chamber's press release. European Chamber VP and Chapter Chair Klaus Zenkel was quoted as saying: "As China moves into its next phase of development, European companies in South China have significant contributions to make, particularly in advanced manufacturing and low-carbon solutions and technologies." Some of the challenges faced by South China Chapter members were also covered in these articles, including those related to human resources and the difficulties in finding local and international talent, and the fact that many European companies have urged more coordination among local government departments and better availability of government-related information in English.

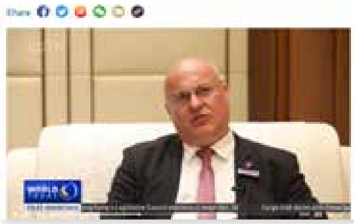
Xin Wen Lian Bo features clip from Secretary General Dunnett interview

On 25th July, a clip of a *CCTV* interview with Secretary General (SG) Adam Dunnett was broadcasted on *Xin Wen Lian Bo* – China's most important and influential news programme. SG Dunnett emphasised the importance of the Chinese market for European business, and highlighted the fact that many companies have actually increased their investment in China to ensure the security of supply chains. His statement that European companies find it rewarding to invest in China and have increasing confidence in the country's economic development was also featured. SG Dunnett said European business will find more opportunities due to the expanding demands of Chinese consumers, and China's commitment to peaking carbon carbon by 2030 and achieving carbon neutrality by 2060.

CGTN interviews VP Bagnasco at EU-China Business & Technology Cooperation Fair

During the 16th EU-China Business & Technology Cooperation Fair in Chengdu, which attracted over 2,000 attendees online and offline, *CGTN* interviewed Massimo Bagnasco, European Chamber VP and Southwest China Chapter chair, as part of a feature on the event. VP Bagnasco said that the newly-launched national strategy, the 'Chengdu-Chongqing Economic Circle', can provide more opportunities for business in the region. On current EU-China relations, the vice president stated: "Our relationship in some ways changed. I used to say the change made it more mature. It's a matter of fact that China and Europe can be competitors in some sectors. It's nothing strange, nothing bad. It's natural."

China-EU Trade Relations: Business fair aims to boost trade and investment



VP Bagnasco speaks with *CGTN* during the 16th EU–China Business & Technology Fair
Media: ***CGTN***
Date: 17th September

Events Gallery

BEIJING, 23RD SEPTEMBER 2021

Launch of European Business in China Position Paper 2021/2022

- China's gross domestic product (GDP) growth is declining. This is the danger/cost of self-reliance: with moderate reform, GDP per capita will reach United States dollars (USD) 46,600 by 2050; with no reform, USD 33,920; and with comprehensive reform, USD 55,980.
- We need to bring European-based management staff to China to experience the speed of doing business here, the 'China fitness club'.
- From the banking industry perspective, the crackdowns on education, gaming, and now the Evergrande situation, are creating a very bad perception of China, which makes it difficult to encourage pension schemes to invest in the market.

BEIJING, 24TH SEPTEMBER 2021

MarCom Forum: Short Video Marketing

- It is important to use both short video and livestream as support for each other.
- Brand personalisation is a good way to create interesting content.
- Start with plog (photo and text) to gain experience before producing video content.

SHANGHAI, 13TH OCTOBER 2021

WeChat Marketing with Business Strategy

- WeChat ranks fifth among social media platforms worldwide, with 1.25 billion active users.
- The Chinese short video app industry reached over Chinese yuan (CNY) 200 billion in 2020 and will grow to nearly CNY 300 billion by 2022.
- The e-commerce industry had the most WeChat mini-programmes in 2020, while government-related and restaurant mini-programmes saw the biggest increase year-on-year.

TIANJIN, 29TH OCTOBER 2021

Go Sports! European Chamber Business Gala Dinner

- The 17th European Chamber Business Gala Dinner in Tianjin took place under the theme 'Go Sports!'.
- Several chapter members—including Airbus Tianjin, Airtech Asia, NNIT, Wellington College International Tianjin and TEDA Global Academy International School of Tianjin—received awards for outstanding performances at, active participation in and exceptional contributions to European business community sporting events.
- These 'Sports Spirit Awards' aim to recognise those who support the Chamber and Tianjin Chapter and to encourage members to proactively take part in sports and create a vibrant community.

SOUTHWEST CHINA, 19TH OCTOBER 2021

Skills for High Impact Leaders: Part 2 – Problem-solving (Chengdu)

- The *Harvard Business Review* defines effective leaders as those who can look beyond the status quo to what is possible and take risks to achieve it.
- There are six main types of problem-solvers in the workplace: high-level, superhero, logical, detective, mediator and in-depth.
- It is fine to be emotional, but it is essential to detach—even if momentarily—from our emotions when facing critical problems.

SOUTH CHINA, 27TH–28TH SEPTEMBER 2021

2021 Guangdong Multinational Corporations Investment Conference

- 87 per cent of the South-China-based respondents to the European Chamber's *Business Confidence Survey 2021* (BCS 2021) plan to expand their current business in the region.
- Cross-border travel restrictions impacted 75 per cent of BCS 2021 respondents, with human resource departments experiencing difficulties in bringing back key employees from abroad and attracting talent to South China.
- The number of respondents that say they have benefitted indirectly from better regional connection due to the Greater Bay Area development plan is equal to the number that claim to have seen no improvements.

NANJING, 12TH OCTOBER 2021

European Business in China Position Paper 2021/2022 Launch

- China is paying a premium to achieve greater control over its economy.
- Exports from the European Union (EU) to China are surprisingly small, leading to a large trade imbalance.
- The contrast between the EU's exports to China and exports to other countries highlights the untapped potential of the Chinese market.

Advisory Council News

Photo: bmwgroup.com

Bureau Veritas endorses the Global Wind Energy Manifesto for COP26

18th October 2021 – The Global Wind Energy Council (GWEC) released a manifesto that calls on policymakers and other stakeholders (such as regulators, systems operators, civil society and local communities) to commit to action at COP26. To mitigate the effects of climate change and achieve the shared target of net zero emissions by 2050, wind energy must be scaled up to new heights, as it plays a central role in creating a greener world.

In the manifesto, the GWEC and all endorsing companies, including Bureau Veritas, outline eight actions that will help achieve a net zero world within the coming years. Proposals include more ambitious wind power goals, reflected in comprehensive national climate strategies as well as in short- and long-term energy plans. Other ideas include the rapid build-out of clean energy grids and charging stations for electric vehicles.

Supporting this initiative, Bureau Veritas has collaborated with the energy sector in accelerating energy transition for more than 20 years. We do this by offering services and solutions that tackle both immediate and future challenges to renewable energy development and operation.

Snam, Toyota and CaetanoBus together aim to accelerate development of hydrogen mobility

20th October 2021, Milan - Snam, Toyota and CaetanoBus have signed a memorandum of understanding (MoU), with the aim of starting a wide-ranging collaboration to promote hydrogen-based mobility.

United by the belief that hydrogen plays a fundamental role in the decarbonisation of transportation, the companies signing the MoU—Snam and its subsidiary Snam4Mobility, Toyota Motor Europe and Toyota Motor Italia, and CaetanoBus—will join forces and know-how to explore and develop projects aimed at promoting, enabling and accelerating the introduction of hydrogen mobility, both for heavy and light transport.

The agreement may lead to specific 'end-to-end' hydrogen mobility projects created for implementation in Italy and other European countries, to support and benefit public administrations, local communities, businesses and private entities. The initiatives may include the entire value chain: from infrastructures for distribution and refuelling to the introduction of fleets of buses, logistics vehicles and cars, thanks also to the availability of Toyota Group's KINTO mobility services. The collaboration also

Photo: group.bureauveritas.com

provides for jointly carrying out analysis, scouting and testing of innovative technological solutions, as well as the development of agreements in areas not strictly related to mobility, such as the use of hydrogen as a stationary application and for cogeneration applications.

KPMG launches multi-year programme to accelerate global solutions for environmental, social and governance issues

5th October 2021 – As part of its ongoing multi-billion-dollar investment programme, KPMG plans to spend more than United States dollars (USD) 1.5 billion over the next three years specifically on its environmental, social and governance (ESG) change agenda. The ESG strategy is designed to support KPMG firms' clients in making a positive difference.

The collective investment will focus on training and expanding KPMG's global workforce, harnessing data, accelerating the development of new technologies, and driving action through partnerships, alliances and advocacy. The key to the transformation will be embedding ESG in the organisation and client solutions to drive measurable change.

KPMG will invest in its leading climate and ESG solutions and technologies, including Climate IQ, a digital tool that helps clients identify opportunities and risks arising from climate change. To complement the technological investments, the global organisation will also expand its workforce, both for ESG advisory work and to provide assurance on ESG disclosures. Additionally, KPMG will develop its proprietary audit workflow technology to enable delivery of ESG assurance with the same quality and rigour that KPMG firms apply to financial audit work.

Shanghai Michelin Tire Company shares green, smart development plans on 20th anniversary

12th October 2021 – Recently, Shanghai Michelin Tire Company held its 20th anniversary celebration at the Michelin Minhang plant. Entitled 'Transform, for Greener and Smarter Manufacture', the event comprehensively showed the development history of the plant and its transformation toward green and smart manufacturing, and unveiled on the spot the latest 21-inch Pilot Sport 4 SUV tyre that has just been put into production.

Photo: engie.com

ENGIE supports Michelin in decarbonisation of historic Cataroux site in Clermont-Ferrand

24th September 2021 – Michelin has chosen ENGIE to optimise energy consumption at its Cataroux site in Clermont-Ferrand (central France)—in operation since 1921—and hence to strongly reduce its greenhouse gas emissions. In addition to utilities management, the 10-year contract provides for the design and operation of new energy facilities and the installation of a waste-heat recovery system. This untapped energy source will meet the site's heating needs, along with those of 4,000 homes through a connection to the Clermont-Ferrand heating network. Through its subsidiary ECLA, ENGIE has held the public service concession for the management and operation of the Clermont-Auvergne-Métropole heating network since 2010. For ENGIE, the leader in low-carbon centralised energy infrastructure, the project with Michelin is perfectly in line with its strategy and illustrates its expertise in supporting its customers' decarbonisation.

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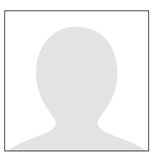

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